Austria	Sch24	Indonesia	Rp3100	Pakistan	Rs30
Bahrain	Din0.700	Iran	Rls210	Philippines	Peso40
Belgium	BFr54	Israel	Shk6.20	Poland	Zl9,000
Cyprus	C£0.80	Italy	L2000	Portugal	Esc155
Denmark	DKr12.00	Jordan	JD1	Qatar	QR8.80
Egypt	E£1.25	Kuwait	Fils.500	S Arabia	SR7.00
Finland	FM8.50	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta185
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr160	Morocco	MDh8.80	Switz	SFr2.80
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft167	Nigeria	Naira10	Tunisia	Din0.800
Iceland	IKr160	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Wednesday September 19 1990
D 8523A

GERMANY
Bonn's nervous balancing act
Page 16

World News | **Business Summary**

Mitterrand and Kohl divided on EMU date

Germany and France attempted to patch up differences over the pace of European monetary union by agreeing to aim for Europe-wide ratification of a new currency system by the end of 1992.

However, the agreement stops short of a commitment on a date for moving into the second stage of European Monetary Union. Page 18

UK woos Czechs

Margaret Thatcher, UK Prime Minister, appealed to newly democratic Czechoslovakia to join the British crusade against the "bureaucratic impasse" and back her vision of an enlarged European Community of diverse nation states. Page 18

EC defence role plan

Italy, which holds the presidency of the European Community, suggested a straight takeover by the EC of the defence policy co-ordination role of the Western European Union, thus giving the EC a military dimension. Page 4

Sri Lanka accused

Amnesty International said thousands of Sri Lankan civilians had disappeared or been killed by security forces in the past three years and accused the government of encouraging abuses. Page 6

US to close bases

US is to close 128 overseas military bases, mainly in West Germany, in what the Defence Department described as the biggest such move since the Second World War.Page 18

French troop recall

France will reduce its troops based in West Germany from 50,000 to about 15,000 in the next two years, West German officials said.

Cambodia talks doubt

First joint council of rival Cambodian factions threatened to break up in disarray as the Phnom Penh government refused to accept a stand-in for guerrilla leader Prince Norodom Ranariddh.

Chemical train delay

Two night trains removing US chemical weapons from West Germany were delayed by discovery of a mock bomb on the track and by technical problems, officials said.

Solzhenitsyn appeal

Two Soviet newspapers published an extraordinary appeal by Alexander Solzhenitsyn, the exiled Russian writer, to banish all vestiges of communism and build a new Slav state on the ruins of the Soviet empire. Page 4

KGB HQ stormed

KGB headquarters in the Georgian capital Tbilisi was stormed by protesters demanding the release of a political activist, the official Soviet news agency Tass said.

Burma protest halted

Burmese troops fired teargas at schoolchildren in Mandalay to break up demonstrations on the eve of the second anniversary of a bloody national uprising, state radio said.

Guatemala peace hope

Leftwing rebels will meet Guatemala's religious leaders for their first round of peace talks in Quito, Ecuador, next week to seek a resolution to Central America's longest insurgency, a National Reconciliation Commission spokesman said.

Turkey criticises EC

Turkey criticised a European Community decision to consider an application by Greek Cypriots for full membership.

Madrid drug haul

Madrid police seized 80kg of heroin with an estimated street value of $80m – the biggest heroin haul in Spain this year.

NCR product line to be redesigned around Intel

NCR, one of the world's largest computer manufacturers, announced it was redesigning its entire product line to reap cost benefits inherent in new technology. The new computers, ranging in size from laptop to the largest mainframes commercially available, will be powered by microprocessors from Intel, the leading US semiconductor manufacturer. Page 19

MARKETS: Tokyo: A surge in oil prices and the relentless rise of domestic interest rates extended Tokyo's decline in turbulent trading yesterday. The Nikkei closed 480.78 lower at 23,884.82. Wall Street: The Dow Jones Industrial Average stood lower at midsession, down 20.30 at 2,547.03, after adding 3.22 on Monday to close at 2,567.33. Frankfurt: DAX fell by 33.88 to close at 1,507.27, a year's low. Back Page, Section II

ZIMBABWE has unveiled a five-year trade liberalisation programme which aims to increase export earnings. Page 3

DUTCH budget: Reduced spending on defence and higher expenditure on environment and social policy are main features. Page 4

EUROPEAN Community trade ministers said the Gulf crisis must not be allowed to strengthen protectionist attitudes in the Uruguay Round trade negotiations. Page 18

FORD is to begin exporting cars from its Dagenham plant to the European Continent for first time since 1970s. Page 18

CIBC Mortgages, UK housing finance subsidiary of Canadian Imperial Bank of Commerce, has been placed on the market with a loan book of £2bn ($3.8bn). Page 19

BANK of Israel intervened in government plans to sell majority shareholdings in country's top banks, by expressing concern over conduct of sale of Israel Discount Bank. Page 19

GUSTAV Paulig, Finland's largest coffee company, is to make and sell West German Melitta brand in UK. Page 20

BSN, French foods group, reported first-half net profits of FFr1.51bn ($289m), on sales up 16 per cent. Page 20

GROUPE Bull, France's troubled state-owned computer maker, was urged to seek a European alliance. Page 20

JARDINE Int'l Motors, Hong Kong-based car dealership, announced a 27 per cent fall in first-half net profits.

ADELAIDE Steamship group, diversified Australian manufacturing combine, suffered share price slide after research report by rival. Page 21

NRMA Insurance, Australian general insurer, reported an underwriting loss for the year to June of A$143.1m (US$119m). Page 21

FSI, South African industrial conglomerate, announced a large-scale restructuring which will transform its subsidiary W&A Investment Corporation. Page 22

NIKE, Oregon-based manufacturer of athletic and leisure footwear, posted 31 per cent advance in first-quarter after-tax profits. Page 22

KONE, Finnish lifts and crane-making group, acquired full control of EPL-Kone, the lifts company which controls 35 per cent of the Australian lifts market. Page 22

LONDON Metal Exchange, leader of the world terminal market trade in non-ferrous metals, plans substantial changes to contracts. Page 29

BRAZIL is to reduce soyabean production as low prices are making large harvests unviable. Page 29

Atlanta takes first place in race to hold Olympics

By Robert Thomson in Tokyo, Karin Hope in Athens and Ian Hamilton Fazey in Manchester

WHEN the word "Atlanta" echoed around the corridors of the Takanawa Prince Hotel in Tokyo last night, US delegates embraced each other, shouted "doggone," and broke into strains of the "Star Spangled Banner."

The delegation from Athens, sentimental favourite in the sometimes bitter competition to host the 1996 Olympics, stared emptily at each other, wept openly or turned to the wall behind them and wept privately.

In Manchester, northern England, too, there were tears – even though the decision was not unexpected: a press statement had already been distributed giving reaction to Manchester's not winning.

The other losers, Toronto, Melbourne and Belgrade, were either polite in their praise of the polished Atlanta bid, or privately critical of the commercialism of the Games and the influence of US television dollars.

"You can say that this was a battle between David and Goliath, but this time Goliath won," one Greek official said.

The unlucky Athenians had been so confident of success that the city's streets were already decorated with balloons and blue-and-white Greek flags in preparation for an all-night party.

Instead a shocked silence fell over central Constitution Square yesterday when a crowd, gathered in front of a battery of television screens, heard the news.

American tourists were immediately pounced on for an explanation. One young woman explained apologetically to a group of middle-aged Greeks: "You've got to understand, the Olympics is about money, not idealism."

The feeling that Athens lost to the city with the most commercial clout went some way towards salvaging national pride. As a radio commentator put it: "The Olympic spirit got lost inside a bottle of Coca-Cola." Mr Maynard Jackson, Mayor of Atlanta, insisted that the contest was not about "Olympic Stadiums or money" but about the "values of the Olympic standard" and "about world peace and world sport."

Much of the next six years will be spent raising the estimated $1bn necessary to build facilities and host the athletes.

For the half a million residents of Atlanta and the local service industry the decision looks set to prompt an economic boom. The financial burden to the city itself is likely to be mitigated by private sponsorship, not least by the city's most famous company, Coca-Cola.

Atlanta supporters estimate that combined broadcast rights and sponsorships will total about $873m, and with other revenue thrown in, by the time the Games are over, the city could even see a surplus.

Athens picked up few votes, suggesting its appeal to sentiment on the centenary of the 1896 Games had not worked.

US recession fears grow as exports fall, prices rise

By Peter Riddell, US Editor, in Washington

FEARS OF a US recession intensified yesterday on figures showing sharp increases in inflation and the trade deficit.

Consumer prices increased by 0.8 per cent in August as a result of higher oil costs produced by the Gulf crisis, giving a rate of 6.2 per cent so far this year, compared with 4.6 per cent for the whole of last year.

However, the trade deficit in July, before the Iraqi invasion of Kuwait, rose almost $4bn to $9.3bn because of a possibly exceptional fall in exports. The deficit was the highest for six months.

The announcement pushed the dollar lower and hit US government bonds in markets already gloomy about the continuing stalemate in talks between the White House and congressional leaders on how to reduce the soaring US federal budget deficit.

Recent economic indicators have pointed to a further slowdown with declines in both consumer spending and industrial output.

Yesterday's figures add the complication that the underlying rate of inflation, even excluding dearer oil prices, has remained high and the previously strong growth of exports has stopped for the time being.

The combination of weak activity, a possible recession soon and high inflation has complicated the dilemma of US policymakers.

The Bush Administration is resisting calls from most of the rest of the Group of Seven industrial countries for a continued tough anti-inflationary stand. President George Bush has this week repeated his call for the Federal Reserve to cut interest rates rapidly once a budget deal is agreed.

Several members of the Fed's policymaking Open Market Committee are concerned about continuing inflationary pressures. Just under half last month's rise in consumer prices was due to higher oil and other energy costs, leaving an underlying monthly rise of 0.4-0.5 percentage points.

However, many economists believe that overall US demand is so weak that an inflationary upsurge of the kind seen after the previous oil shocks of 1974 and 1980 is unlikely.

The July trade figures are probably exceptional. This is both because the June deficit may have been artificially low and because of unfavourable movements in July in traditionally volatile items such as aircraft shipments, down nearly $500bn in July compared with June.

However, there were declines in several categories of exports, down 6.4 per cent overall. Taking the summer months as a whole, there has been a levelling-off of the previous sharp growth in exports.

Mr Robert Mosbacher, the US Commerce Secretary, said the rise in oil prices would add at least $2bn to each month's trade deficit during the rest of this year. However, he expected "the non-petroleum deficit, a better indicator of international competitiveness, to decline further". He underlined the improvement in the overall trade position this year with a cumulative January-July deficit of $55.4bn, compared with $63.4bn at the same stage of 1989. Moreover, the recent decline in the dollar and the economic slowdown should also have a favourable impact on the non-oil deficit.

The 0.8 per cent rise in August's consumer price index was no surprise to the debt market, but the 0.5 per cent increase excluding the volatile food and energy components was stronger than expected and did nothing to alleviate worries about inflation.

Furthermore, the trade deficit was much higher than the $7bn Wall Street had expected. In addition, June's deficit was revised up to $5.34bn from $5.07bn. However, some analysts believe that the increased trade deficit should be positive for bonds, since it may induce analysts to lower their third quarter GNP estimates.

● Karen Zagor in New York writes: The US Treasury's benchmark 30-year bond lost ¼ point immediately after the data hit the market and by mid-session had extended its loss to ½ point at 96½, to yield 9.09 per cent.

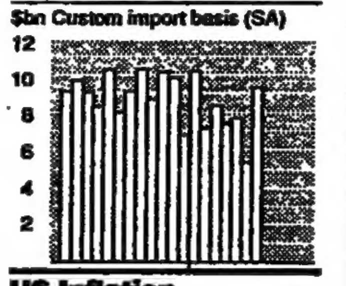
Equities were also broadly lower at the midsession, but the Dow Jones Industrial Average closed virtually unchanged at 2,571.29, up 3.96.

The dollar initially lost ground in New York but recovered to close at Y137.90 and DM1.5528 against a London close of Y137.45 and DM1.5480.

US budget talks falter, Page 8; Markets, Section II; Stock Markets, Back Page

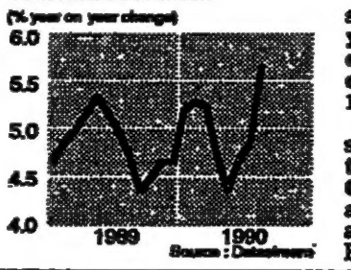
US Trade Deficit

$bn Custom import basis (SA)



US Inflation

Consumer Price Index
(% year on year change)



Japanese increase consumer spending

JAPANESE consumers' taste for luxuries, including fine clothes, imported cars, and foreign holidays, shows no sign of abating despite this year's turmoil in financial markets. While Americans and Britons are tightening their belts, Japanese are continuing to increase spending on consumer goods and services, according to a report from the Bank of Japan.

The growth of personal consumption in the current fiscal year which began in April is expected to exceed the 3 per cent increase recorded in 1989-90.

In July, department store sales were 10.6 per cent higher than in 1989, says the report. Car sales rose by 4.8 per cent and sales of electrical appliances by 14.7 per cent.

Page 6

Winnie Mandela faces assault and kidnap charges

By Patti Waldmeir in Johannesburg

THE South African Government is to prosecute Mrs Winnie Mandela, wife of Mr Nelson Mandela, on charges of assault and kidnap.

Mr Klaus von Lieres, the Witwatersrand Attorney-General, said yesterday that Mrs Mandela, whose husband is deputy president of the African National Congress, was to be charged with four counts of kidnap and four counts of assault with intent to commit grievous bodily harm.

Mr Mandela has accused the Government of staging a witch-hunt against his wife to smear the ANC. Yesterday's decision could worsen relations between the ANC leader and Pretoria which had already deteriorated as each blamed the other for township violence which has left more than 750 people dead in the past month.

The charges against Mrs Mandela and seven others arise from the abduction in late 1988 of 14-year-old Stompie Seipei by members of Mrs Mandela's bodyguard, the so-called Mandela United Football Club. The boy was later found with his throat slit. Last month, the club's "coach," Mr Jerry Richardson, was sentenced to death for Stompie's murder.

Mr Justice B. O'Donovan, the Supreme Court judge who found Richardson guilty of the boy's murder, also found that Mrs Mandela was present on the evening when four young blacks including Stompie were severely assaulted at her Soweto home. The court heard from some witnesses that Mrs Mandela took part in the assaults on Stompie.

Mrs Mandela has denied complicity and said recently she would welcome being charged "so that I could appear in court to defend myself." Neither Mrs Mandela nor her husband made any comment yesterday.

The ANC issued a statement which carefully avoided condemning or defending Mrs Mandela, saying only that the ANC affirmed its support for Mr Mandela and his family "in this time of stress."

Pretoria is known to be concerned that charging Mrs Mandela could jeopardise the peace process. Mr von Lieres said he had decided to prosecute "after careful consideration of all the relevant facts, including possible implications beyond the normal legal ones," an apparent reference to possible political ramifications.

"My decision to prosecute Mrs Mandela was taken. . . because of my understanding of the facts, the law of the land and my duty as Attorney-General to uphold and apply the law to all alike," he said in a statement. Mrs Mandela is to appear in court on September 24 when a trial date will be fixed.

The ANC leader's wife, who gained the title "Mother of the Nation" because of her opposition to apartheid, was banned, detained and banished to a remote part of South Africa during her husband's 27-year imprisonment. However, she held activists after the Stompie case became public and there was widespread protest when she was recently named head of social welfare for the ANC.

Winnie fails, Page 7

France opens door to greater competition in telecom sector

By William Dawkins in Paris

THE FRENCH Cabinet is due to adopt wide-ranging proposals today to make it easier for private operators to compete in the telecommunications equipment sectors.

The proposals redefine for the first time since the 19th century the country's telecommunications sector which has annual sales of services and equipment of FFr120bn ($22.5bn). The changes, expected to be accepted by parliament during the autumn, would be phased in by January 1993, the deadline for the European single market.

They would bring France's telecommunications industry, the world's fifth largest, in line with two European Community directives liberalising the supply of equipment and services.

The directives are the keystone of the EC's design for a free European telecommunications market.

They are the latest results of the general telecommunications deregulation which started in the US in the mid-1970s and which has swept through Britain, Japan, West Germany, Italy, Belgium, Spain and the Netherlands over the past decade.

Although the proposals, if passed into law, would only give a legal framework to existing practices in the French industry, they would erode the enormous discretionary powers held by the telecommunications ministers.

This would clarify competition rules for foreign companies such as British Telecom and AT&T of the US in the provision of services, or equipment makers such as Siemens of West Germany, wishing to compete against established French suppliers such as Alcatel and Matra.

The draft telecommunications law would allow France Telecom, the public operator, to keep its monopoly over basic telephone and telex services. In contrast, the former UK state monopoly British Telecom now competes with the private telephone service operator Mercury.

Controlled competition would be allowed for the basic transmission of data, although private operators would have to sign an agreement with the DRG, France's telecommunications regulatory authority, promising not to undercut France Telecom on its most profitable routes.

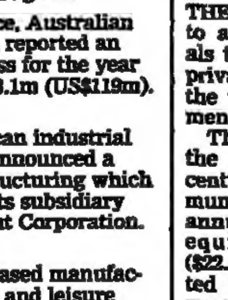
Radio telephone operators would have to obtain the DRG's authorisation while value added services, such as electronic banking, shopping or computer mail, would be open to free competition, subject only to operators giving notice that they are about to start a service.

The supply of terminal equipment, such as telephone sets and fax machines, would be liberalised, allowing any supplier to sell equipment subject to a certificate from the DRG stating that they conform with national technical standards. These standards will conform to EC guidelines.

Community legislation in the pipeline could liberalise the market even further by allowing free sales of equipment certified under EC standards in any of the 12 member states.

CONTENTS

Mulroney takes a controversial gamble on patronage politics



A single patronage appointment by Canadian Prime Minister Brian Mulroney (left) could cost his party dear. Observers see no political gain in his Senate nomination of the outgoing Nova Scotia premier.
Page 8

MARKETS

STERLING
New York:
$1.9130 (1.914)
London:
$1.919 (1.9030)
DM2.97 (2.9625)
FFr9.95 (9.9275)
SFr2.46 (2.4475)
Y263.75 (260.5)
£ index 94.9 (94.4)

GOLD
New York: Comex Dec
$393.50 (395.2)
London:
$388.0 (390.0)

N SEA OIL (Argus)
Brent 15-day Nov
$32.875 (32.25)

Chief price changes yesterday: Page 19

DOLLAR
New York:
DM1.5528 (1.5485)
FFr5.2005 (5.188)
SFr1.2905 (1.2765)
Y137.90 (136.555)
London:
DM1.548 (1.557)
FFr5.185 (5.217)
SFr1.282 (1.286)
Y137.45 (136.95)
$ index 62.3 (62.4)
Tokyo close: Y137.68

US lunchtime rates
Fed Funds $7\frac{13}{16}$%
3-mo Treasury Bills: yield: 7.61%
Long Bond: $96\frac{17}{32}$
yield: 9.09%

STOCK INDICES
FT-SE 100:
2,084.0 (−30.3)
FT Ordinary:
1,578.8 (−29.3)
FT-A All-Share:
1,001.50 (−1.4%)
New York lunchtime:
DJ Ind. Av. close
2,571.29 (+3.96)
S&P Comp
315.10 (−2.67)
Tokyo: Nikkei
23,884.82 (−480.78)

LONDON MONEY
3-mo interbank close:
$14\frac{13}{32}$-$14\frac{7}{8}$% ($14\frac{13}{32}$)
Liffe long gilt future:
$82\frac{11}{32}$ ($82\frac{13}{32}$)

US officials ignored objections to 'dual-use' exports to Iraq

By Alan Friedman in New York

THE US Commerce Department brushed aside explicit objections by the Pentagon and approved as many as 14 export shipments to Iraq *between 1985 and 1990 that* directly helped Baghdad's development of nuclear, chemical and ballistic missile capabilities.

According to documents obtained by the Financial Times and confirmed by officials of the Bush administration, the exports included "dual-use" equipment – seemingly for civilian use, but with direct military application – that went to the development of Iraq's non-conventional weapons arsenal.

More than anything else the shipments of militarily useful computers, defence electronics and related equipment offer evidence of a breakdown in the US system of export controls.

The State Department is normally responsible for reviewing items specifically contained on its list of munitions, but in cases of dual-use exports to Iraq, the Commerce Department, which issues the licence, would consult the Pentagon for an opinion on their military potential and the State Department on the foreign policy considerations.

When there is a difference of *opinion the export in question* is supposed to be discussed between the departments or even sent to the White House for an inter-agency review.

Pentagon officials involved in the process have alleged that in most of the 14 cases their advice was an explicit objection that was subsequently ignored by Commerce, which went ahead and allowed the goods to be sent to Iraq, often without informing Defence of the decision. Officials at State said they did not necessarily see all of the cases.

The allegations come amid a debate in Congress over how to tighten US export controls to nations such as Iraq that are considered nuclear missile proliferation threats.

The Commerce Department, led by Mr Robert Mosbacher, secretary of commerce, is fighting a rearguard action to fend off criticism and to protect its primacy in the export control review process. The shipments occurred not just during the Iran-Iraq war – when US policy tilted in favour of Iraq – but well after its ending in August 1988.

Mr Stephen Bryen, the deputy under-secretary of defence for trade security policy from 1985 to 1988 who personally handled some of the cases, accuses the State and Commerce departments of irresponsible behaviour in the face of clear evidence the exports were of vital military use to Iraq.

"Commerce overrode all of these cases and never even told Defence about the decisions," *Mr Bryen charges.* "They disregarded five years of thorough technical and intelligence evaluations by Defense and the CIA."

US export control policy *throughout the 1980s* was targeted towards the East bloc rather than the Third World. Commerce officials deny improper behaviour.

Although not missile-related, the most recent case of a dubious planned *US shipment* to Iraq occured on July 30, 1990, just three days before the Iraqi invasion of Kuwait. West Homestead Engineering, a Pennsylvania company, had obtained a Commerce Department *licence in 1989 to export* to Iraq forges and a related computer that defence officials say could be used to manufacture 16-inch gun barrels.

Lawyers for the company met State Department officials, who said they had no objections to the export, but Mr Bill Cook, the company's president, says he was worried about what use Iraq might make of the equipment and decided in any case to voluntarily cancel *the order.*

The most recent missile-related export licence, approved by the Commerce Department on February 23, 1990, allowed International Imaging Systems, a California company, to ship a computer and related equipment worth $600,000 (£324,000) that is designed for infra-red imaging enhancement. That occurred even though Defence Department officials first tried to stop the export as long ago as *1987 on the grounds that* CIA technical evaluations showed it could be used in systems for the near real-time tracking of missiles.

A number of the exports were sent directly, or by way *of German companies such as* Gildemeister and Messerschmitt-Bölkow-Blohm (MBB), to Iraq's $1bn Sa'ad 16 nuclear weapons and missile development centre at Mosul. This occurred in spite of intelligence information showing that the shipments to the desert centre would enhance Mr Saddam Hussein's progress toward nuclear-capable missiles.

One of the most contentious *cases was the shipment by* Electronics Associates, a New Jersey company, of an advanced $449,000 hybrid analog computer system used in missile wind tunnel experiments. The analog computer is the same type used in the US White Sands missile range in New Mexico.

The Pentagon tried to stop the export, but there was such discord among State, Commerce and Defence that a *White House meeting* was called to discuss the issue when in September 1987, it was then decided officially to block the export. But Mr Otis Wright, an executive at the company, this week said the computer *hardware had already* been shipped eight months earlier – in January 1987 – from the US to the Sa'ad centre in Iraq by way of Messerschmitt and Gildemeister, the intermediaries in West Germany.

Another case involved the 1987 sale by Wiltron of California to Iraq's Sa'ad missile centre of electronic test and measuring equipment that uses a radio frequency of up to 40 GHz, a high level so vital to sensitive communications that it is proscribed by both the Cocom and missile technology lists of dangerous items.

The Pentagon tried to stop the $49,510 shipment in November 1986, but the Commerce *Department* issued a full export licence in January 1987 even though the licence itself identified the heavily bunkered Sa'ad 16 desert missile site as the end-user. Wiltron has confirmed it shipped the equip*ment in 1987.*

Spurred by the debate, the Senate last week voted to give the Defence Department an enhanced role in reviewing shipments of militarily useful equipment to four Middle Eastern nations, including Iraq.

THE Bush Administration has given a cautious, though sympathetic, initial response to requests by Israel for $1bn (£500m) in immediate additional military aid and for accelerated sales of equipment following the prospect of a big increase in US arms sales to Saudi Arabia, Peter Riddell writes from Washington. Mr Moshe Arens, the Israeli defence minister, yesterday ended a two-day visit to Washington when he met Mr Dick Cheney, the defence secretary, and Mr Brent Scowcroft, the national security adviser, as well as congressional leaders.

There is no doubt the US will be willing to make new sales, possibly of missiles, in view *of the concern* of Israel and its congressional allies over $22bn sales to Saudi Arabia.

Surviving in London on £5,000 a day

By David Lascelles, Banking Editor

IRAQ's invasion of Kuwait may have left many penniless refugees in the Jordanian desert. But there is also a somewhat better-heeled community of Kuwaiti exiles in London.

Earlier this week, nearly 200 of them crammed into a reception room at the Churchill Hotel in the West End – itself owned by Kuwaiti interests – to discuss their problems. The event was organised by the United Bank of Kuwait, a British bank owned by other Kuwaiti banks, which specialises in looking after wealthy Middle East clients.

And that does not just mean cheque books and savings accounts – as the session showed.

Over two hours, the bank wheeled out specialists in tax, property, education, leisure, investment management and the technicalities of the Bank of England's freeze on Kuwaiti assets. There were videos about the bank, about life in England and the best place to invest money – and then tea and biscuits at the end for a more informal chat.

The audience comprised Kuwaitis of all ages. The grey-haired elderly sat stiffly in their seats while children scampered round the aisles. There was a balanced mix of sexes, with many women wearing traditional white scarves. Few displayed obvious outward signs of great wealth. But it was clear from the speeches and questions that serious money lay not far below the surface.

"Knowing the lifestyle of our clients," said Ms Sandy Shaw, UBK's assistant manager, "we are making available to them up to £5,000 a day." This is the sum permitted by the Bank of England as an exception to the freeze to meet Kuwaitis' living expenses in London.

Quite how they manage to *spend this amount* was not touched on. But many of those in the room were staying in central London hotels, and paying £90-£150 per person per night, according to UBK's accommodation guide. Many are *also educating their children* privately in the UK. Some have to pay medical bills.

UBK's property specialist, Mr Mark Burton, offered to help those seeking more permanent shelter to find flats to rent (£3,000 a month for two bedrooms in the centre of town, or a quarter of that 30 miles out), or buy (£500,000 for four bedrooms in the centre, £250,000 30 miles out). Those who were being forced to count their pennies were advised that London's public transport system was "quick and cheap". This might not be the advice a hardened Londoner would give, but some in the audience had, it transpired, never been on a bus or an underground train.

The most difficult question was tax. "Do nothing to upset your Kuwaiti domicile which is most advantageous to you for UK tax purposes," advised Mr Robert Dolman, of solicitors Wedlake Bell. Members of the audience learnt that if their enforced exile kept them in London too long, they risked being treated as UK residents.

The answer, they heard, was to leave the country every now and then. Many exiled Kuwaitis are not, however, intending to sit passively by. Several wanted to set up their own businesses in the UK, and Mr Chris Allen, UBK's senior manager, advised them on how they could obtain UK government help.

For those who just wanted to invest their money, Mr Ali Al Hussein, UBK's fund manager, advised that equities and bonds were a better bet than bank deposits.

Both he and Mr Dolman were deluged with questions at the end, showing just how far the ripples of the crisis have travelled through the financial community.

BNL claims to be more confident on Iraqi debt

By Haig Simonian in Milan

WITH some $3bn of largely unauthorised letters of credit outstanding to the government of Iraq, the current mood of calm at Italy's Banca Nazionale del Lavoro may seem a little like whistling in the wind.

But the bank, which is still implementing the supervisory procedures whose absence became so apparent after last August's scandal at its Atlanta branch, claims it is now more comfortable about its Iraqi exposure.

BNL officials point to the decisions by both Moody's and Standard & Poors', the US debt rating agencies, to maintain their ratings for its foreign bonds in the wake of the Gulf crisis and despite the bank's L482bn loss last year.

The plunge into the red followed BNL's decision to make a L232bn provision on its less developed country loans and a L416bn writedown on its investment portfolio. Assessments of its creditworthiness were downgraded last November in the light of the Atlanta affair.

The events in the Gulf have added a new twist to the strained relations between the bank, whose total Iraqi exposure now stands at $1.87bn, some $400m of which is guaranteed by US agencies, and Iraq. An agreement was struck with the Iraqis last January covering $2.16bn of credits already paid out and a further $605m arranged but not yet disbursed.

According to the deal, the bulk of repayments of principal were postponed until 1995, although interest payments of some L70bn a year were to continue normally.

Mr Giampiero Cantoni, BNL's chairman, has confirmed that interest on the Iraqi money has been paid smoothly until the beginning of August. However, Iraq's decision to suspend all interest payments on its foreign debt thereafter means nothing has come in since.

The bank has said that the letters of credit affair will not affect its earnings this year, and there have been some bullish forecasts emerging from its Rome headquarters.

Moreover, BNL says its provisions should cover over 50 per cent of its exposure to less developed countries by the end of this year – Iraq included.

The bank's position has been buttressed by its status as a public-sector institution, with the Italian treasury owning the majority of its shares. A private-sector bank would have been much harder, and perhaps fatally, hit by the Atlanta scandal.

Habash in threat to US targets

By Lamis Andoni in Amman

AMERICAN interests in the region would be hit the moment the US attacked Iraq, Mr George Habash, the left-wing Palestinian leader warned yesterday.

Dr Habash of the Popular Front for the Liberation of Palestine (PFLP), speaking at a press conference in Amman, said that the PFLP and other Arab political groups would be ready to strike against American *targets if Baghdad* was attacked.

"We have our fingers on the triggers and we shall shoot American and Western targets the moment the Americans launch an attack against Iraq," he said.

PFLP officials later said that the group, known for its spate of plane hijackings in the early seventies, was not re-endorsing terrorist tactics.

"What we are saying is that we shall be prepared to strike against American interests only if and when Iraq is attacked," a PFLP official said.

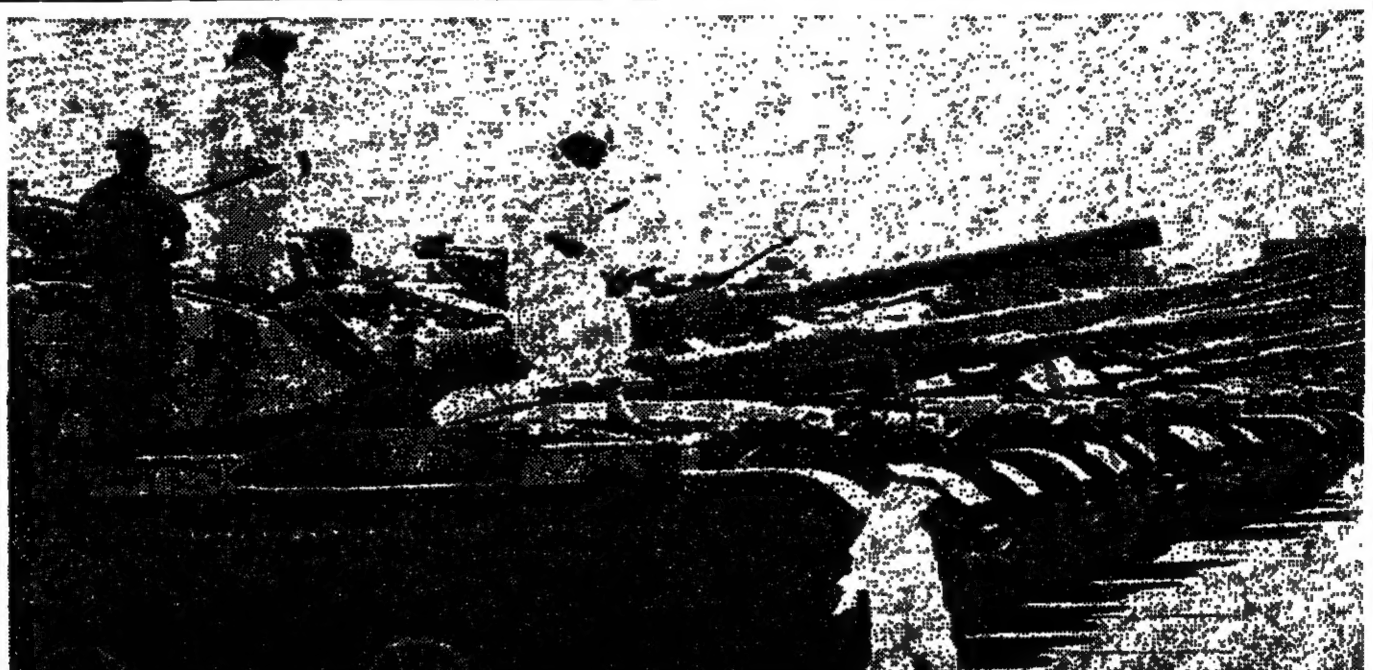
The PFLP's warning followed a call by a Pan-Arab meeting of more than 20 political parties, which had ended it's sessions in Amman on Monday, for similar action if Iraq were attacked.

In earlier statements, Dr Habash said that Arabs should be prepared for war if Washington resorted to a military confrontation but that the search for a peaceful solution for the Gulf crisis should not be foreclosed.

"We are ready for a peaceful solution for the Gulf crisis and the Palestinian question but we believe that United Nations resolutions should be applied to all problems in the region", he said.

Dr Habash, who is visiting Jordan for the first time since he was banished in 1970, has met King Hussein and his prime minister, Mr Mudar Badran. Palestinian officials said that Dr Habash and Mr Nayef Hawatmeh of the Democratic Front for the Liberation of Palestine were ready to support a joint Jordanian-Palestinian initiative to solve the Gulf crisis.

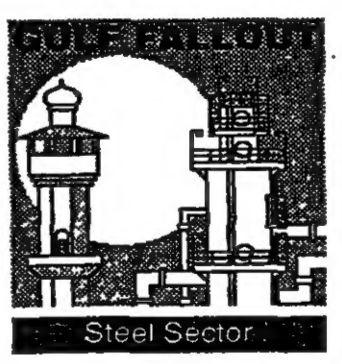
Mr Hawatmeh said that the PLO was seeking to work out a joint peace initiative with the Jordanians.



Seven US Navy "roll on, roll off" ships which left the US in mid-August have completed unloading in Saudi ports, according to US officials in Dhahran. A large proportion of the cargo they carried consisted of M60 and M1 Abrams main battle tanks, above.

Steel companies will escape the worst

By Charles Leadbeater, Industrial Editor



STEEL companies are hoping that the rise in oil prices this time round will be third time lucky. Slowing growth after the oil price rise of 1974 triggered a worldwide crisis of overcapacity which the industry is only just resolving. The 1979 price increase rubbed salt in this wound.

Energy conservation has, as a result, been a priority over the past 10 years for an industry which is among the most energy intensive. With energy conservation an ingrained part of the management of steel companies – it was central to British Steel's recovery programme in the 1980s – they believe they are in better shape to cope with a sustained rise in oil prices.

The oil price rise comes at a delicate time for the industry as the decline in automotive, construction and consumer markets on both sides of the Atlantic threaten to depress relatively fragile profits.

US producers are just emerging from a decade of traumatic changes, in which a much smaller industry has come increasingly to rely on partnerships with Japanese companies.

The west Europeans are only just finding their feet, returning to profit in the last two years for the first time since the crisis of the mid-1970s. Worst affected could be the least energy efficient industries in developing countries and, particularly, eastern Europe.

A sustained oil price of $25 (£13.50) per barrel over the next year would cut 1992 profits at European companies by 50 per cent from the peaks they reached in 1989, according to Mr Peter Dupont, steel analysts at UBS Phillips & Drew, the stockbrokers.

This is mainly because of the effect of slowing demand. The direct impact on steel makers will be limited, according to Mr Jonathan Aylen, a steel economist at Salford University.

Oil is rarely used as an alternative to coke to be injected into blast furnaces. In the past 10 years steelmakers have introduced computer systems to raise the energy efficiency of blast furnaces. Most have schemes to tap the energy from gases released by steelmaking. West European producers have generally introduced continuous casting, which is much more energy efficient than traditional methods.

Big integrated steelmakers, which dominate Europe, will be affected by higher prices for their electricity, gas and the oxygen, which is itself produced by an energy intensive process. But they will not be hit as hard as the smaller minimills and specialist engineering steels producers, which consume large quantities of energy for their electric arc furnaces.

On the other hand, rising energy prices could create opportunities for some producers. British Steel is a significant energy producer at its plants in north-east England and has its own ports to import coal. According to Mr Aylen, this could encourage the company to follow the lead of Imperial Chemical Industries and enter Britain's newly-liberalised electricity market as a power generator.

The indirect impact on the industry could be more considerable. Higher oil prices will slow economic growth and demand for steel. But it could also encourage steel using industries to switch towards lighter, more energy efficient materials.

It was the permanent switch away from steel towards other materials which hit steel producers so hard after the 1974 oil price rise. What most producers thought would be a cyclical recession became a structural decline.

For example the UK car industry reduced its consumption of steel per unit of output by about a third in the 1970s, while the steel intensity of agricultural machinery and machine tools was almost halved.

Steel using industries will innovate to produce lighter, smaller, more energy efficient products, which will consume less steel. But the drop is unlikely to be as great as in the 1970s.

NEWS IN BRIEF

Oil prices up sharply on lost crude supplies

Oil prices rose sharply yesterday with the price of benchmark North Sea Brent crude for November delivery closing up 60 cents to $32.85 and cargoes for more immediate delivery in October up 75 cents to $35.875, writes Richard Gourlay in London.

Oil analysts in London attributed the rise to the first serious effects of lost crude supplies since the Iraqi invasion of Kuwait on August 2. Shell UK yesterday, meanwhile, started a new round of petrol price rises by raising its prices by 2.8p a gallon, bringing its rise since Iraq invaded Kuwait on August 2 to 25.5p.

After taxes this will translate into a 3.2p rise at the pumps. Other companies maintained current levels but indicated they are likely to follow Shell's example as Rotterdam gasoline, on which all suppliers base their prices, has been trading at around $415 a tonne over the past week.

Saudis would welcome Soviets

Saudi Arabia's foreign minister said yesterday he would welcome Soviet troops in his country if Moscow decided to join the international force confronting Iraq, Reuter reports from Moscow.

Prince Saud al-Faisal, speaking the day after the Soviet Union and Saudi Arabia restored diplomatic relations severed for half a century, added that neither country yet saw any sign Iraq was willing to pull its forces out of Kuwait.

Dutch offer F-16 jet fighters

The Netherlands is ready to send a squadron of F-16 jet fighters to Turkey if the United Nations decides to blockade Iraq by air, the Foreign Ministry said in a letter to parliament yesterday, Reuters reports from Amsterdam

The Dutch, setting out their position before yesterday's ministerial meeting of the Western European Union in Paris said further measures were needed to maximise the chances of a political settlement of the Gulf crisis.

US 'gas detector' force ready

American troops trained by West Germany in handling special tanks for detecting poison gas will soon depart for the Gulf, US military officials said yesterday, Reuter reports from Bonn.

The soldiers recently completed a three-week crash course at an Atomic, Biological and Chemical (ABC) protection school in Sonthofen in southern West Germany. They were trained in how to operate West German Fuchs tanks which can reveal the use of chemical weapons and which Bonn is lending to the US for the *Gulf effort.*

Arafat flies back to Jordan

The Palestine Liberation Organisation (PLO) chairman, Mr Yassir Arafat, arrived in Amman from Baghdad yesterday for talks with King Hussein, Reuter reports from Amman.

Mr Arafat was driven immediately to the king's palace after he arrived from the Iraqi capital on his second visit in less than a week. Jordan and the PLO have sought a negotiated solution. They have not recognised Baghdad's annexation of Kuwait but are widely seen as sympathetic to Iraq.

Japan sends medical team

Japan sent 17 doctors and nurses to Saudi Arabia yesterday, the first Japanese personnel to join the multinational efforts, Reuter reports from Tokyo.

"We are happy we are able to donate in this visible manner," the foreign ministry's spokesman, Mr Taizo Watanabe, said. But *he said Japanese medical teams* were unlikely to help troops.

Iran juggles 'Blasphemer' and 'Great Satan'

Tehran is on a tightrope in dealing with old enemies, writes Scheherazade Daneshkhu

IN TEHRAN, the media have begun to refer to the Iraqi leader as President Saddam Hussein instead of "Saddam the Blasphemer". Toning down abuse of Baghdad is one sign that Iran is delicately trying to make friends with its former enemy.

But it is a diplomatic tightrope complicated by the Iranian leadership's condemnation *of Iraq's invasion of* Kuwait. Add to this the military build-up in the region of forces from the US, branded since the 1979 Revolution as the "Great Satan", and the signals emanating from Tehran are bound to appear contradictory.

The Gulf crisis is forcing Iran to confront both rapprochement with Iraq to resolve the outstanding issues of the Gulf war and the problems created by Iraq's invasion of Kuwait. Although the two issues overlap, rapprochement with Iraq and a shared hostility to the stationing of American forces in Saudi Arabia do not mean collusion too over Iraq's *de facto* annexation of Kuwait.

Eight years of bloody war ended dangerously close to an Iranian rout and Tehran is in no position to throw Iraq's *acceptance of Iran's main* terms for peace back in its face. Thus talks are taking place despite the growing world isolation of Iraq's President Saddam Hussein. Indeed, the Iraqi invasion of Kuwait spurred Iraq's moves to make peace with Tehran – even though the latter condemned this aggression against a neighbour and has gone along with United Nations sanctions against Iraq.

Iraq has accepted the Shatt al-Arab waterway in the south should revert to shared sovereignty rather than total Iraqi control. Iraqi troops have also completed their withdrawal from areas held in Iran since the ceasefire two years ago. But the peace negotiations are likely to be complex.

An Iranian delegation led by Mr Manouchehr Mottaki, the deputy foreign minister, yesterday ended a three-day visit to Baghdad, the first in more than a decade, amid signs of a hold-up in the exchange of prisoners-of-war, some 75,000 having been swapped since the process began on August 17.

Little mention has been made of Iranian demands for war reparations and the establishment of an international body to determine responsibility for the war. Both of these are included in Security Council Resolution 598 and may have been waived by President Ali Akbar Hashemi Rafsanjani in exchange for Iraq's relinquishment of its territorial claims.

Only a minority in Tehran want to push normalisation with Iraq into a full-blown alliance. Last week Mr Sadeq Khalkhali (an MP known to the West as the cleric who *paraded the charred remains of* US servicemen after a helicopter collision during the botched up raid to free American hostages in Tehran under the Carter Administration), called for a military pact between Iran and Iraq to fight Israel.

Such sentiments have to be measured against the conviction in Washington that Iran is complying with the UN embargo against Iraq.

This is despite stories circulating last week of Tehran agreeing to import 200,000 barrels a day of Iraqi oil in exchange for food and medicine. These reports *emerged after Mr Tariq Aziz,* the Iraqi foreign minister, visited Tehran with his oil minister on September 9. Neither country has given an explanation for the attendance of their oil ministers, but it is not inconceivable that Iraqi oil could be used as a means of settling war reparations.

Food is also believed to be crossing the Iranian border but most observers reckon this is confined to smugglers and doubt the quantities could make an appreciable dent in the effect of sanctions. Iran has continued to maintain it will uphold sanctions; but along with China and India it has *pressed for the despatch for* food and medicine to Iraq in line with a UN clause allowing "humanitarian aid".

While divisions exist over how to deal with Iraq, Iranian officials are united in opposing the stationing of US forces in Saudi Arabia. Nevertheless, President Rafsanjani has been careful to point out it would be acceptable for US forces to overturn Iraq's invasion of Kuwait so long as they withdrew immediately. At the weekend Iran's Supreme National Security Council, a body established by President Rafsanjani, urged Iraq again to withdraw from Kuwait, argu*ing among other things this* was one way of denying outside powers any pretext to have troops stationed in the region.

Such a line coincides with that adopted by President Hafez al-Assad, who will visit Tehran next week and who was a key ally in the war against Iraq.

It would also be a vindication of the late Ayatollah Khomeini's *invocations to the* effect that stability in the region can only be achieved once Mr Saddam Hussein is removed. However, the US proposal for a new regional security structure after the present *crisis is over has struck alarm* bells. Ayatollah Ali Khamenei, Iran's spiritual leader, spelt out his country's worst fears when he asked last week: "What has the security of the region got to do with you? It is the business of the nations of this region."

For good measure, he added: "If you see today that the region is insecure because of Iraq's attack, you are responsible for it. It was you who armed Iraq and did something to make him feel strong enough to attack Kuwait." Mr Khamenei's position was supported by 168 of the 270 *majlis* (parliament) members.

*Longer term, a Saddam Hus*sein who gets away with the capture of Kuwait can be regarded as a danger by Iran. The options are thus finely balanced between equal condemnation of Iraq and the US's long term aims for the region.

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WORLD TRADE NEWS

Half UK aid for Nigeria likely to be export-tied

By Peter Montagnon, World Trade Editor

HALF OF Britain's £60m aid to Nigeria in the current financial year is expected to be tied to the export of British goods and services, following a compromise between the Overseas Development Administration (ODA) and the Department of Trade and Industry.

The planned compromise, yet to be fully ratified by the departments concerned, will lay to rest a dispute that arose earlier this year when the DTI objected to the ODA's preference for untying the aid payments from British procurement.

It is expected to be announced during a visit to Nigeria early next month by Mrs Lynda Chalker, Development Minister, and will involve allocating half the total to the Nigerian Central Bank, which will use the funds to support the Naira in its regular foreign exchange auctions.

The remaining £30m will be split between the Nigerian public and private sectors, but it will be tied to British procurement. Last year, the entire programme aid was passed through the foreign exchange auctions, meaning that British suppliers were denied preferential treatment.

The DTI objected earlier this summer to ODA's plan to repeat this exercise, and there was a delay in settling the differences because of the reshuffle at the head of the DTI following the abrupt resignation of Mr Nicholas Ridley as Secretary of State.

Though the DTI traditionally seeks to defend the interests of British companies in benefiting from the aid budget, Mrs Chalker has argued that untying aid could improve value for money and increase the efficiency with which it is spent.

In a speech to the London Business School in May, she said British companies would benefit from general untying of aid budgets, as their record in winning World Bank and European Community business was strong.

However aid specialists say that following last year's decision to untie aid to Nigeria, British companies won only a modest share of the business financed.

Though the dispute has raised emotions in the exporting industry, it may be short-lived, since Nigeria's windfall from higher oil prices may lead the ODA to prune its aid budget to Nigeria next year.

Zimbabwe unveils five-year plan to liberalise trade

MR Bernard Chidzero, Zimbabwe's Finance Minister has unveiled a five-year trade liberalisation programme which aims to boost export earnings, Reuter reports from Harare.

The programme will begin on October 1, when Zimbabwe allows in more imports, gives industry more foreign exchange, and lets foreign investors repatriate a higher percentage of profits.

But he warned that a recession in the wake of the Gulf crisis could imperil Zimbabwe's plans to increase its exports and open up its economy.

The government and World Bank would soon organise a donors' conference to lobby for the $2bn (£1bn) needed for the five-year programme, he added. The plan would be implemented cautiously to avoid mistakes.

Zimbabwe's foreign trade has been severely curtailed since 1965 when the then Rhodesia broke off links with London and unilaterally declared independence.

Mr Chidzero announced a series of incentives to stimulate Zimbabwean companies to look beyond their borders and end an era of largely domestic production.

Under the initial two-year stage of the plan, there would be unlimited foreign exchange for companies which export over 75 per cent of what they produce.

The plan lifts restrictions on importing equipment for manufacturing industry, making it easier for factories to modernise before Zimbabwe opens its doors to foreign goods.

Mining and agricultural industries will be allowed to keep 5 per cent of their export earnings to buy imported raw material and capital goods. Manufacturers will be entitled to keep 7.5 per cent.

The foreign exchange allocations will be made every six months. Other foreign exchange allocations will be raised.

Manufacturing exporters will be able to apply to keep 30 per cent of their export earnings in foreign exchange, up from a previous 25 per cent.

- Brazil is abolishing curbs on trade in wheat and coal, Reuter adds from Brasilia. President Collor de Mello has signed a measure pulling the government out of the wheat market from next harvest.

He is following a policy of liberalising Brazil's once-tightly regulated economy, having already freed the coal industry from all price and trade controls.

US business seeks better outcome in Gats talks

By William Dullforce in Geneva

US BUSINESS leaders yesterday voiced disappointment over the status of talks on the liberalisation of world trade in services but urged their negotiators to continue trying for the maximum outcome.

It would be difficult to complete an agreement covering all services sectors by December (when the Uruguay Round trade talks end), Mr James Robinson, chairman of American Express, said after three days of talks with trade officials and heads of negotiating teams.

Mr David Karnes, president of the Fairmount Group, said nobody among the senior US executives accompanying Mr Robinson was satisfied with progress to date. However, Mr Robinson, who also heads the advisory committee on trade negotiations to Congress, said the US private sector still wanted as full realisation as possible of its original intentions.

October would "go down in history as the work month" in Geneva and the momentum was still there to produce a successful result, Mr Robinson added.

Other countries have blamed the hitch in the services talks on an alleged retreat by the US from its original demand that a General Agreement on Trade in Services (Gats) should cover all sectors.

Mr Robinson and his colleagues backed the protestation by Mrs Carla Hills, US Trade Representative, that many other countries shared US difficulties in having maritime transport, civil aviation and basic telecommunications systems included.

Never the less, the US is in a dilemma. Mr Robinson said it was still possible to agree on a universal framework agreement, establishing basic principles, such as transparency, most-favoured-nation (MFN) and national treatment, for services.

Provisions could be added, for instance to the MFN principle, that would take account of the differences among sectors and allow awkward ones to be tackled at a later date.

But neither the US private sector nor Congress will approve a framework agreement without accompanying commitments from countries to open their markets to, and provide national treatment for, US service providers.

So far, the US is the only country to have tabled specific market-opening requests — to 38 other countries. It has received no responses and no other country has submitted its requests, to start the negotiation over concessions.

A US trade official said reality had started to sink into the negotiators from other countries after the forceful presentation of the US position by Mrs Hills and the private sector advisory group this week.

Textiles bill 'is threat to Gatt'

PROTECTIONIST textile legislation, due to be put to a vote in the US House of Representatives yesterday, is "a potential Uruguay Round killer", the International Institute of Economics (IIE) says, Nancy Dunne reports from Washington.

The Senate has already passed the bill by a margin big enough to override a presidential veto.

An IIE official said an array of interest groups opposing the international trade talks, including steel companies, shippers and agriculture interests, is backing the legislation. The danger to the Round had the Administration worried.

Mr C. Fred Bergsten, IIE Director, said negotiators might have to extend the Uruguay Round December deadline to next March 1, or later. If the choice is a limited agreement or a new deadline, an extension would be better. It might be best if the Round ran in parallel with the EC 1992 process to ensure the EC felt the pressure of the multilateral process.

THE UNCTAD REPORT

Financial freedoms are mixed blessings

Debt strategy could be an early casualty of the Gulf crisis: William Dullforce writes

A TAX on foreign exchange transactions is called for today by the United Nations Conference on Trade and Development (Unctad).

It is one of the measures that the Unctad secretariat advocates in its annual Trade and Development Report to counter what it regards as the harmful effects on world trade and investment of the "unbridled" deregulation of financial markets in the 1980s.

Separately, the secretariat warns that international debt strategy could become "one of the first economic casualties" of the Gulf crisis, especially if oil price increases are accompanied by higher interest rates.

Unctad is a north-south forum for monitoring and promoting Third World economic development. This year the report makes a special case for stricter management of international financial markets.

In particular, it calls for measures to control the speculation which it claims is currently responsible for the largest part of international financial transactions and for the instability of the markets.

The argument rests on figures showing an increase from $13,864bn (£7,494bn) to $36,512bn between 1982 and 1988 in the gross assets of commercial banks and capital markets in the major financial centres. International banking has been growing at more than 20 per cent a year, compared with 12 per cent for world trade and 10 per cent for world output.

Unctad's economists find little evidence that liberalisation has brought major benefits by improving the allocation of resources internationally. Between 1982 and 1988 the annual increment in the stock of world financial assets averaged about $3,800bn; the annual average for fixed capital formation was some $2,300bn.

Most international financial transactions had become "portfolio decisions, largely by rentiers, rather than business decisions by entrepreneurs," Unctad argues. The instability accompanying the speculative activity was hindering genuine entrepreneurship. Currency instability had encouraged protectionism in trade and by putting a premium on liquidity had pushed up interest rates. Official attempts to counter exchange rate movements had reinforced the upward pressure on the rates.

High interest rates had led to a redistribution of income to rentiers at the expense of investment, wages and raw material prices — and in developing countries to higher costs for servicing debt.

The Unctad secretariat proposes four remedies:

- Increase the cost of speculation by taxing financial transactions. To be effective, the tax would have to be "an internationally agreed uniform tax, applied in proportion to the size of transactions involving conversions from one currency into another, in order to raise the cost of short-run transactions relative to longer-run currency conversions";
- Link the dollar, the Ecu and the yen by a mechanism similar to that of the European Monetary System;
- Strengthen multilateral surveillance of national fiscal and monetary policies and set targets for demand growth and current account balances;
- Tighten and harmonise prudential regulations in all major financial centres, including those off-shore, to stop "excessively risky operations" in credit and security markets.

INTERNATIONAL BANKING IN RELATION TO WORLD TRADE AND INVESTMENT

	1964	1980	1985	1987
As a percentage of world trade*				
Net international bank loans**	6.4	35.2	63.9	72.9
Gross size of international banking market***	10.6	67.8	122.2	137.2
As a percentage of world gross fixed investment*				
Net international bank loans**	4.0	39.2	72.4	78.2
Gross size of international banking market***	6.7	75.4	138.7	147.3

Source: Unctad; Bank for International Settlements (BIS); and Morgan Guaranty
** Excluding eastern European countries*
*** Claims of banks in the BIS reporting area, excluding inter-bank re-depositing*
**** Claims of banks in nearly all European countries, the Bahamas, Bahrain, Canada, Cayman Islands, Hong Kong, Japan, Netherlands Antilles, Panama, Singapore and the US, including inter-bank re-depositing*

Developing countries' debt obligations towards the commercial banks rose by $5bn-$6bn last year as a result of the increase in short-term international interest rates, the report states.

Unctad argues that, for countries with big commercial bank debts, the current international debt strategy will yield only half the amount of debt and debt service reduction needed.

In its press release, it adds an estimate that an oil price of $30 a barrel, if sustained, would increase the annual import bill of oil-importing developing countries by some $26bn, equal to between 10 per cent and 15 per cent of the export earnings that remained after they had met interest payments on their debt.

Freer banking services 'spell dangers for Third World'

LIBERALISING trade in banking services, currently under negotiation in the Uruguay Round trade talks, involves dangers for developing countries, the UN Conference on Trade and Development warns in its 1990 report, William Dullforce reports.

In an analysis of the potential benefits and costs of a more liberal trade regime for banking, Unctad's secretariat finds four reasons why developing countries should be wary:

- Freeing cross-border bank transactions would entail dismantling national exchange controls essential to the management of developing economies;
- Liberalisation could diminish effectiveness of monetary policies which in developing countries, because money markets are weak, rely on control of credit and interest rates
- The control of credit allocations, which many advanced countries exploited to promote their own initial development, is often incompatible with reliance on market-driven banking systems
- Infant banking industries in developing countries could be swamped by the superior competitive strength of banks from the industrialised world.

Foreign banks are less susceptible to the "moral suasion" of domestic monetary authorities, the Unctad secretariat adds.

Despite Unctad's injunctions, nine South-East Asian countries last week agreed financial services could be included in a General Agreement on Trade in Services (Gats). They are Indonesia, Malaysia, Myanmar (Burma), Nepal, the Philippines, Singapore, South Korea, Sri Lanka and Thailand which co-operate in a grouping of South-East Asian Central Banks (Seacen).

But Seacen did call for modifications to the advanced nations' proposals on financial services which took into account Unctad's warning. Neither right of establishment nor application of national treatment to foreign banks could be automatic, the group said.

The existence of a core of competitive, local financial institutions was a pre-condition for liberalisation.

Discussing the Seacen offer, the advanced countries were most critical of the limits it would place on "transparency" - the openness with which fiscal and monetary authorities promulgate rules and disclose reasons for decisions.

Italian Foreign Minister proposes military dimension for EC

By David Buchan in Brussels

ITALY, which holds the presidency of the European Community, has suggested a straight takeover by the EC of the defence policy coordination role of Western European Union (WEU), thus giving the Community a military dimension.

Mr Gianni de Michelis, the Italian Foreign Minister, has said that he will be presenting to foreign and prime ministers next month a plan to "merge" the WEU – through which the Europeans are currently co-ordinating their military deployments in the Gulf – and the regular European Political Cooperation (EPC) mechanism for dovetailing the 12 EC states' foreign policies.

The plan had already received "near agreement" when first put to diplomats of the Twelve in Brussels last Thursday, Mr de Michelis claimed. But it drew criticism yesterday from the EC's one neutral state, whose Foreign Minister, Mr Gerry Collins, commented that: "Gianni, in typical Italian style, is giving a personal opinion on what is a very important matter".

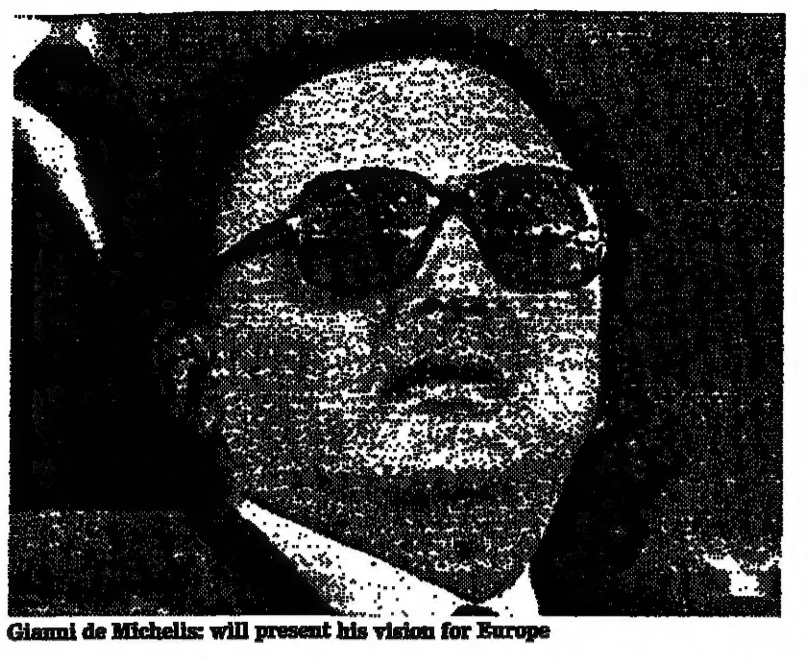
But Mr de Michelis made clear in an interview late on Monday night that he would use his current EC presidency role to put the EPC-WEU merger proposal to fellow EC foreign ministers in Venice in early October and to a later summit of EC leaders in Rome.

In vaguer terms, Mr Guilio Andreotti, Italy's Prime Minister, talked on Monday of focusing an EC defence role on WEU, while at the same time suggesting the Twelve share a seat on the United Nations Security Council.

Mr Jacques Delors, the European Commission president, has also said in a potentially hostile world of economic have-nots the EC should have military means at its disposal *(une force d'intervention)*.

Far from throwing the EC into disarray, the Gulf crisis had made EC states so aware of their common security interests, Mr de Michelis claimed, that "we have been able to do more to prepare for political union in six weeks than Delors has done for monetary union in two years". The crisis had advanced the key goal of the forthcoming "political union" negotiation – bringing foreign and defence policy discussion all under the Community.

Nine EC states belong to WEU, originally set up to control German rearmament but mainly prominent recently as the forum for co-ordinating European naval forces in the Gulf. Last month the WEU Nine invited the three other EC states to attend a Gulf-related meeting as observers. Greece and Denmark accepted, but Ireland declined.



Gianni de Michelis: will present his vision for Europe

Yesterday at the WEU headquarters in Paris, where the nine members' foreign and defence ministers were discussing how to mesh their increased military deployments in the Gulf, there was no comment on Mr de Michelis' proposal that would essentially rob it of all function.

The initial reaction of Spain, Greece and the Benelux countries has been positive to Italy's ideas. But Ireland is deeply wary of any EC defence involvement, as is Denmark where pacific sentiment is strong. Out of prime loyalty to Nato, the attitudes of Britain and Portugal are very cautious, while Germany has never been keen on WEU because of its origins.

● Italy and Spain are next week to launch an initiative for a Conference on Security and Co-operation in the Mediterranean (CSCM) that would lay down general rules to ease tension and settle conflicts among states as far east as Iran, David Buchan adds.

Mr de Michelis said that he and his Spanish counterpart, Mr Francisco Fernandez Ordonez, would use a meeting in Majorca of the Conference on Security and Co-operation in Europe (CSCE) next Monday to float the possibility of extending the CSCE principles, applied so successfully in Europe, further south.

The CSCM idea is aimed, in the words of a letter circulated by Mr Ordonez to fellow EC ministers, at avoiding "a possible collision course between Islam and the west" by setting up "a system of good-neighbourly relations between both shores" of the Mediterranean.

On top of growing worries about demographic and religious fundamentalist time-bombs ticking away in Maghreb and other Arab countries is the possibility of what Mr de Michelis described in an interview as an Arab backlash against the west, if and when President Saddam Hussein of Iraq is defeated.

Mr de Michelis said in the light of the Gulf crisis, the term Mediterranean should be interpreted generously, with states stretching from Portugal in the west to Iran in the east, and from Mauritania to the south to the EC in the north being invited to subscribe to new general rules for conducting relations between them. The US and Soviet Union would also take part.

Clearly, one purpose of the CSCM may be to persuade Arabs that the west, once the Gulf crisis is resolved, will not forget the other Middle East conflicts in Israel's occupied territories and Lebanon.

Mr de Michelis said he belived that Israel would find it harder to stay outside a CSCM structure than an international conference called specifically to discuss the Palestinian issue, which Israel has always opposed.

Soviet press publishes appeal by Solzhenitsyn

By Quentin Peel in Moscow

TWO SOVIET newspapers yesterday published an extraordinary appeal by Alexander Solzhenitsyn, the exiled Russian writer, to banish all vestiges of communism, and build a new Slav state on the ruins of the Soviet empire.

The 16,000-word diatribe, denouncing both the Communist system, and President Mikhail Gorbachev's attempts to reform it, harks back to the idealist visions of 19th century Russian Slavophiles to base a new state on a combination of rural councils, and the intelligentsia.

It was published with the blessing and assistance of the Russian government, headed by Mr Boris Yeltsin, which even provided the extra newsprint to ensure its publication.

Although many of the article's prescriptions appear Utopian and impractical, it is likely to strike a deep chord in a country seeking a revival of national pride, and a new identity.

It comes from a man widely recognised as the greatest living Russian writer, and is the first original article of his to be published in his native land since his novel, "One Day in the Life of Ivan Denisovich", was serialised in the early 1960s.

In the article, he calls for the break-up of the union of 15 republics, and the creation of a "Russian Union" based on the Russian federation, Ukraine, Belorussia and the Russian part of Kazakhstan.

He plunges into the great debate on land and property, calling for a recreation of peasant holdings, with a ban on big property owners, and equally on foreign ownership of land.

He calls for a political system without politicians; decrying democracy and multi-party systems as government by quantity, not quality. And throughout, he denounces the entire era of Communist rule, saying it has poisoned every sphere of life, and dragged the name of Russia into disrepute.

He pleads now for a revival of the Russian Orthodox Church, of Russian education and Russian culture, to counter the spiritual impoverishment of communism.

Both profoundly conservative and nationalistic, he says women should stay at home with their families, and the country should be run as a form of benevolent dictatorship by a Duma (the old parliament) of social and professional classes.

"It is necessary without delay to declare, loudly and distinctly: three Baltic republics, three Caucasian, four Central Asian, and Moldova [Moldavia] if it feels dragged more by Romania; these 11 inevitably and decisively should be separated."

Kazakhstan should be split, with much remaining in Russia, and the Slav republics left would form "Rus, or Russia, or now a Russian Union."

He appeals to both Ukrainians and Belorussians: "We don't need this cruel split, this darkening of the Communist years. Together we suffered through Soviet time, together we found ourselves in this abyss, together we will get out of it."

Although President Gorbachev has legally restored his Soviet citizenship, in a mass rehabilitation of exiles, Solzhenitsyn has so far refused all invitations to return to Russia from his exile in the US state of Vermont.

Commission finalises excise duty proposals

By Lucy Kellaway in Brussels

A NEW plan for collecting European Community excise duties when frontier controls have been removed after 1992 will be finalised today by the European Commission.

It would involve an EC system of special bonded warehouses for tobacco, alcohol and petrol and will complete the Commission's job in putting forward all the legislation necessary in the difficult area of indirect tax needed for a Europe without frontiers.

The Commission last year abandoned the unpopular idea of harmonising rates of excise taxes, and a more moderate plan setting minimum rates of duty and target bands is still meeting opposition among member states.

Today's proposals are designed to get around the problem of how to avoid customs fraud when rates differ between member states.

They would allow most of the duty to continue to be collected in the country of consumption – therefore having little effect on the revenues of member states.

At present, goods are exported from one member state to another tax free, with duty imposed at the border.

Under the Commission's proposals, individuals would be able to do as much cross-border shopping as they like: buying goods in a country in which duty is lower than in their own.

For all commercial and business transactions, tax would continue to be paid in the consuming country. This would be achieved through a system of linked bonded warehouses, with tax-free movement of goods from a warehouse in one member state to another tax. Tax would only be payable once the goods leave the system en route for their final destination.

The proposal would leave up to individual member states much of the detail of how the system is to be policed. Each would be able to mark its goods with its own fiscal stamps to make it more difficult for traders to buy in one country where the duty is low and sell in another where the duty is high.

Persuading member states to agree on this proposal is likely to raise fewer problems than obtaining their agreement on other areas of indirect taxation. In November, they agreed to the principle of the system of bonded warehouses to help prevent fraud.

There is some anxiety that the Commission's proposals are too bureaucratic. Futher debate is likely on which categories different types of alcohol, such as fortified wines and cider, fit into.

Dutch budget cuts spending on defence

By Ronald Van De Krol in The Hague

REDUCED spending on defence and higher expenditure on the environment and social policy are the main features of next year's Dutch budget which was unveiled yesterday. It also proposes a continued decline in the budget deficit as a percentage of national income.

The budget is the first to be prepared by the centre-left coalition since it came to power late last year. Previously, Prime Minister Ruud Lubbers led two successive centre-right coalitions for a total of seven years.

Higher social and environmental spending in 1991 is to be made possible by Fl 7bn ($3.9bn) in cuts in other areas such as defence, where expenditure is due to decline by Fl 632m, about 4.5 per cent of the defence budget.

The Government is also making a 1 per cent reduction in all forms of grants and subsidies, with the exception of education.

The main outlines of the budget were drawn up before the Gulf crisis. Even before the recent rise in oil and natural gas prices, the Dutch state was already counting on an extra Fl 1bn in gas revenues next year. Continued price increases could boost this amount.

Mr Lubbers said that while the 1991 budget had presented relatively few problems, the Government was bracing for difficulties in the years after 1991, when it will face higher repayments on the country's large national debt because of recent interest rate rises.

At the same time, tax revenues look set to continue to lag behind projections. Total government spending for 1991 is estimated at Fl 197bn and receipts at Fl 175bn.

The resulting financing deficit is equivalent to 4.75 per cent of net national income, which is in line with targets and which compares with 5.25 per cent in 1990.

Despite this decrease, the Netherlands still faces a yawning national debt. Interest payments alone on the Dutch national debt will absorb Fl 24.8bn in 1991.

Earlier this year, the Dutch central bank warned of a growing economic threat from a large budget deficit and rapid increases in wages and money supply. The Nederlandsche Bank's annual report said that the budget deficit must be cut substantially to shrink state debt, which is about 70 per cent of gross national product a year and climbing.

Brussels set to endorse 30% farm support cuts

By Tim Dickson in Brussels

THE European Community's offer to cut farm supports by 30 per cent – first floated last month by Mr Ray MacSharry, the EC Agriculture Commissioner – is expected to be endorsed by his colleagues in Brussels today.

An eagerly awaited meeting of the full Commission will consider and almost certainly approve a paper "fleshing out" details of the proposal for individual sectors and spelling out the implications for the various forms of EC protection, including export subsidies.

Although it will have to be discussed by EC farm ministers next week and by EC foreign ministers early next month, the document will form the basis of the EC's Uruguay Round negotiating position until December.

Officials in Brussels feel Mr MacSharry has already regained some of the initiative from the US, which has tried to "rubbish" his, so far, informal proposal. Next Monday it will formally table its own revised ideas for cuts of 70 per cent and more in global farm supports.

Mr MacSharry is said to be determined to stick to 1986 as the start of the EC's 10-year timetable for reform, as opposed to 1988 as is favoured by Washington. He is also confident he is winning the internal arguments within the EC.

Mr Jacques Delors, the EC Commission president, has so far largely avoided public statements on the international trade talks but is understood to be giving strong support at this stage to the MacSharry approach.

Rivalries between Mr MacSharry and Mr Frans Andriessen, the EC External Relations Commissioner, persist. The latter is said to be unhappy about aspects of the new EC paper.

● US Trade Representative Carla Hills told a news conference that Washington would soon make a revised agricultural proposal at talks being held under the auspices of the General Agreement on Tariffs and Trade (Gatt) which would no longer insist on an elimination of trade distortions, Reuter adds from Geneva.

Textiles bill threat; Gats talks, Page 3

ANNUAL REPORT ON THE NETHERLANDS' ECONOMY

OECD urges restraint in pay demands

By Ronald Van De Krol

THE Netherlands has a good record on economic growth, job creation and inflation, but it must do more to curb the budget deficit and tackle high unemployment, the Organisation for Economic Co-operation and Development says in its survey of the economy.

The OECD also lends its voice to the chorus calling for wage restraint. Mr Ruud Lubbers, the Prime Minister, and Mr Wim Kok, the Finance Minister, have both recently said that private sector wages should rise by no more than 3 per cent next year, matching the 1990 increase.

Wages demands loom as a critical economic issue because of an agreement made last November, when a centre-left Government under Mr Lubbers replaced a Lubbers-led centre-right coalition.

Under the agreement, the Government promised to restore a direct link between private sector wages and the level of social benefits and civil servants' pay. Earlier in the 1980s, rises in social welfare benefits had been allowed to lag behind increases in wages.

"A given rise in private wages is now likely to have larger economic consequences than before," the OECD notes, adding that higher social benefits will further complicate efforts to pare the budget deficit.

Though the Dutch budget deficit has fallen as a percentage of gross domestic product, the rate of decline should have been faster, given the buoyancy of the Dutch economy over the past few years, the report says.

In 1989, GDP grew at 4 per cent, thanks to strong private consumption and corporate investment, and the OECD expects the economy to perform strongly in 1990 and 1991. Consumer price inflation, which stood at just 1.1 per cent in 1989, is the lowest of any OECD member.

Although unemployment fell to 7.4 per cent in 1989, its lowest level since 1981, there are still labour market imbalances. Non-cyclical unemployment is high, as is long-term unemployment. At the same time, there are shortages of skilled workers in some industries.

The report blames stubbornly high unemployment on several factors, including generous social welfare payments. "Incentives to work are low, negatively affected by a high collective burden and generous transfers," it says.

These imbalances exacerbate the other structural problem, a persistently high budget deficit. Low participation in the workforce depresses government revenues, while government spending is fed by the need to provide income support to people out of work.

At the same time, the Dutch budget problem is complicated by rising interest rates, strong growth in the number of people receiving disability benefits and a large volume of residual claims arising out of the Government's now-scrapped investment subsidy scheme.

In 1989, the Netherlands' Dutch public debt was equalled to 57 per cent of the country's GDP, one of the highest ratios in the OECD. The OECD report says the Netherlands will need to explore areas where spending cuts can be made.

One possibility is a tightening of provisions for social welfare benefits, though it noted that the potential for savings seemed limited unless these cuts were accompanied by a major reform of the system.

Bulgaria bans food exports

THE Bulgarian government yesterday banned all food exports in an apparent effort to improve domestic supplies in time for winter, AP reports from Sofia.

Sugar, cheese, cooking oil and detergent have been rationed since late summer in most areas as the Socialist government tries to alleviate shortages. Other foodstuffs and vital consumer goods are in short supply or unavailable.

According to a decree carried by the state BTA news agency, the export ban was imposed "to ensure supply of necessary products for the population during autumn and winter".

The export of meat and meat products in addition to milk and milk products is prohibited until the end of March next year, along with fodder, cereals, soya, potatoes and garlic.

A timely reminder that joint ventures are there for the taking

By Nicholas Denton in Budapest

WHEN Mrs Margaret Thatcher, the British Prime Minister meets her Hungarian counterparts in Budapest today, both sides will remind each other that British businessmen fail to exploit opportunities in the country.

Trade with Britain made up only 2 per cent of Hungary's total in 1989 and British companies have invested only around $50m in 50 joint ventures – a mere drop in the total foreign investment of $800m in 2,000 joint ventures.

Mr Harry Codd, general manager of the Ganz-Hunslet joint venture, cites history, indolence and lack of education as the reason why other UK companies have failed to invest to the same level as Telfos, a locomotive and rolling stock producer.

British businessmen do not know "where Hungary is, what it does..." he says. "The political change is considered as a temporary phenomenon because they do not understand. They think there are safer places to invest where *they can get a quicker return. I* don't know where those places are."

Others remark on the time which British managers waste consulting with their boards while competitors jump in. Ganz-Hunslet is the exception which proves the rule that British companies are slow to invest. Telfos Holdings bought a controlling stake of Ganz Mavag in late 1989 for £12m – £2m of that in cash – to create the largest Hungarian-British joint venture.

This year, the company expects a healthy profit of 350m forints ($5.7m). Mr Codd moved quickly to cut the workforce by half to 700 and to improve quality. He has proved an effective lobbier for Hungarian state contracts, which he needs to tide the company over *until quality is high enough to* sell products on the international market.

This week he closed contracts for locomotives and electrical multiples worth £40m ($74m) with Hungarian State Railways. Other British companies are belatedly following Telfos's lead. Mr Selby Johns, commercial attaché at the British Embassy in Budapest, expects British investment to quadruple by the end of the year if two large deals in the pipeline come off.

In addition, consultancy is now a particularly strong sector. BZW and Price Waterhouse (which, with Ernst & Young, dominates auditing) won the contract to advise on the setting up of the State Property Agency to handle Hungarian privatisation.

*Moreover, British-run invest*ment funds are prominent. John Govett manages the Hungarian Investment Company which has $100m to invest in Hungary; and Lloyds Investment Management supervises the $50m Austro-Hungary Fund.

But the best long-term opportunities lie in active direct investment by industrial companies which can provide the technical help which is more important to Hungarian companies than capital infusion.

Here, Britain lags well behind continental European countries and the US, and, farthest of all, behind Germany. The uncomfortable fact for British firms, even if they change their ways, is that Hungary is being tugged back by *history and geography into the* German economic sphere of influence.

● In London, Mr George Robertson MP, deputy opposition Foreign Affairs Spokesman, yesterday accused the government of "miserable parsimony", and predicted that Mrs Thatcher's welcome in Czechoslovakia and Hungary would "get slightly chillier" when she spoke of Britain's "knowhow funds", since she was "starving them of cash", Edward Mortimer reports.

The funds' expenditure for the whole of eastern Europe in the current financial year, to April 1991, was limited to £15m, he told the Royal Institute of International Affairs. "It is all committed already."

"The knowhow hype was successful," Mr Robertson said. "*It is whispered* "too successful", and the projects have flooded in... We will be judged by what we have said against what we do and if the plug is pulled now to satisfy obsessional Treasury small-print then disappointment will turn to anger."

Poland has been allocated £50m and Hungary £25m over five years from the Know How Fund. Assistance has also been promised to Czechoslovakia, East Germany, Bulgaria and Romania, but no figures have been announced.

Bratislava bank first

The first Czechoslovak bank to operate with foreign capital began operations yesterday in Bratislava, Reuter reports quoting the state news agency CTK. Tatra Bank is owned mainly by Slovak banking and insurance insitutions and manufacturing companies, but also has foreign shareholders.

Romanian strike

The Romanian Government sent officials yesterday to talk to trade unions whose strike threatens to cripple the country's main seaport, Constanta on the Black Sea, Reuter reports from Bucharest. About 23,000 dockers and merchant seamen in the Black Sea port of Constanta began the stoppage on Monday in protest against what they regard as slow economic reform.

Correction

An item in the World News column on Page One of the Financial Times' International Edition on September 7, headlined "Tourists flee fire", stated incorrectly that a fire occurred on Sardinia's Costa Smeralda. In fact the outbreak did not occur there but on the island of Caprera, approximately two miles off the coast.

Hungary's airline navigates course to western technology

Malev needs large investment, updated aircraft and privatisation to survive, writes **Paul Betts**, Aerospace Correspondent

EVERY morning a British Airways US-built Boeing 737 twin jet airliner uses up 6.2 tonnes of fuel to fly between London and Budapest. In the afternoon, a Soviet-built Tupolev TU-134 twin jet in the livery of Malev, the Hungarian national airline, flies the same busy route and uses up 14 tonnes of fuel.

"This is one of the reasons why we have to look for western technology," explains Mr Andras Pakay, the chief executive of the Hungarian carrier.

The first east European carrier to introduce western equipment, Malev now operates three Boeing 737s on lease from GPA, the Shannon-based aircraft leasing company. It will introduce three more 737s in its fleet on GPA leases next year and is negotiating the purchase of three large wide-body airlines with Boeing and the European Airbus consortium.

Mr Pakay also says the airline envisages spending about $400m between 1993 and 1997 for a second phase in its fleet development programme.

"Development of our fleet with good cost-effective equipment is a must if we are to compete in the highly competitive international airline market," says Mr Tomas Deri, Malev's new managing director.

The collapse of the Iron Curtain is offering Malev, and the Hungarian air transport industry, opportunities which would have been hardly conceivable a few years ago. "We see ourselves becoming a gateway to the East and a backdoor to the West," remarks Mr Deri. "We would like to see the tradition of the 1930's return, when Budapest was one of the main tourist attractions in Europe with London and Paris," he adds.

But the new Malev senior executives – the airline's management was completely overhauled six weeks ago – are apprehensive that future growth expectations could fall flat.

"If we are to be successful we are going to have to pour clear water into the glass," says Mr Pakay. To raise badly needed funds to meet the heavy capital outlays of the airline industry, the Hungarian government is planning to privatise Malev in three gradual stages between 1993 and 1995. Before then the airline, which is also looking for western partners to invest in its development, must put its house in order.

One of its biggest problems is its fleet of 12 Tupolev TU-154 trijets and six TU-134 twinjets which fly on average less than four hours a day. "This is a catastrophic level," says Mr Pakay. By comparison, the Boeing 737s in the fleet fly on average six and a half hours a day. "This is better but we need to achieve eight to ten hours a day," he explains.

Maintenance costs are also excessive and account for between 17-19 per cent of direct aircraft operating costs compared with only 4.3 per cent for the Boeing 737. The Soviet aircraft are also extremely heavy on fuel, which accounts for more than a third of their total operating costs, compared with only 10 per cent for a Boeing 737. The recent rise in fuel prices in the wake of the Gulf crisis has put further pressure on costs.

An additional problem has been Soviet demands to be paid in dollars instead of roubles for spare parts since the Soviet pull out from Hungary. But just as significant is the reluctance of Western travellers to fly on Soviet jets. BA, for example, has a much larger proportion of high yield business passengers on its London-Budapest service than Malev.

The airline's new management also acknowledges that Malev suffers from an oversized workforce and that its overall cost management is one of its weakest points. "About 35 per cent of our total costs are general administrative costs," explains Mr Pakay. "We want to reduce our workforce by 20-25 per cent, from 4850 people to around 4000 people," adds Mr Deri.

Malev is also unhappy with its current western lease agreements. It is already renegotiating the Boeing 737 leases with GPA and wants to open talks with Ansett of Australia over its two-year old joint venture with the TNT air parcel service. "This venture is still losing money and the leasing fees are too high," says Mr Pakay, conceding that the Hungarian market is perhaps not yet quite ripe for an air parcel operation.

The combination of all these pressures is expected to see Malev in the red next year. But Mr Deri remains optimistic that the airline will be ready for privatisation in 1993. He expects the fall in Hungarian living standards to hit its trough in 1992 and the domestic economic situation to start picking up again in 1993. New western aircraft on international routes and Soviet jets relegated to low cost domestic charter business should improve the profile of the company. The development of Hungary as an east-west air transport hub and low cost Western airline maintenance centre will provide additional growth opportunities.

In the meantime, as a first step, the carrier will have refurbished its existing fleet by next April to improve the quality of service. "Whoever enters our aircraft will enter into the atmosphere of Hungary," says Mr Deri.

INTERNATIONAL NEWS

India reacts to troubled nuclear programme

Gita Piramel in Bombay on plans to buy nuclear reactors from France and the USSR

INDIA is negotiating with both France and the Soviet Union for the purchase of four large nuclear reactors. These would form part of an ambitious Rs140bn ($7.8bn) programme to bring the country's generation of nuclear power to 10,000MW by the year 2000.

The discussion with France for the purchase of two 900MW light-water reactors is a revival of sorts. The French had made a similar offer during the visit to India of President François Mitterrand in late 1988. Negotiations were subsequently frozen because India found the terms of credit too stiff.

The Indians reactivated the deal last June when Dr P.K. Iyengar, chairman of the Atomic Energy Commission, visited Paris for preliminary discussions. A French team is expected in New Delhi shortly.

The negotiations with the Soviets are at a more advanced stage. An inter-governmental agreement with the Soviet Union on co-operation in setting up a nuclear power station has already been reached for two VVER-type reactors each of 1,000MWcapacity. According to the terms of the agreement, the Soviets will extend soft credit of up to 3.2bn roubles ($5.4bn at the official exchange rate).

The proposed location for the station is Kudankulam, at India's southern tip in Tamil Nadu state. According to Mr S.L. Kati, managing director of the Nuclear Power Corporation, detailed site investigation is in progress while work on the technical assignment is also proceeding swiftly.

Environmental clearance from the Tamil Nadu pollution control board has been received.

Talks with the French and Soviets are being held despite the fact that India already possesses the knowhow to build nuclear power plants.

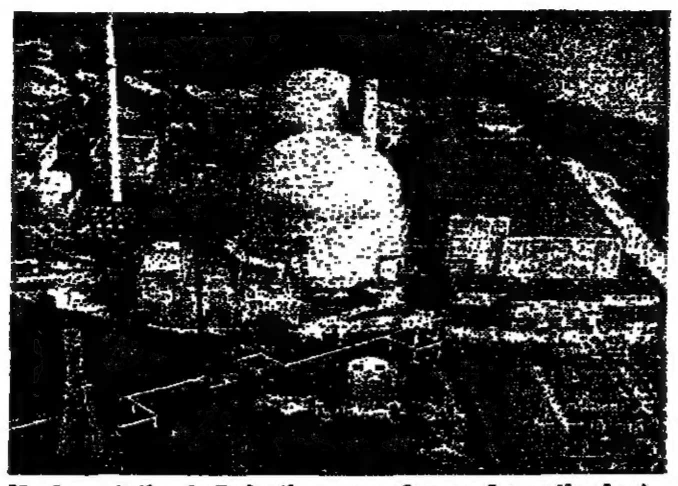
Most Indian-made reactors are of the pressurised heavy-water moderated and cooled type. This model was adopted as the mainstay of the nuclear programme because it uses natural uranium, a fuel readily available in India.

Because these plants have been indigenously built and do not depend on imports of enriched uranium fuel, they are not subject to supervision by the International Atomic Energy Agency. But, if India purchases the French light-water reactors, it may have to agree to IAEA monitoring.

Over the next 12 months, nuclear power generation will be boosted when three new Indian-built plants are commissioned. The existing seven plants, with an installed capacity of 1,564MW, collectively contribute 2.3 per cent of the country's total installed power capacity. By the end of 1992, these three plants are expected to add a further 705MW.

Of the seven plants already operating, however, several are not running at full capacity. Since its construction, there have been problems with the first unit at Rawatbhata in Rajasthan state. At Tarapur, Maharashtra state, the station was recently rerated from 210 MW to 160 "because of the unavailability of secondary steam generators."

Last year, problems associated with the calandria tubes in the second unit reduced overall capacity of the Madras



Nuclear station in Rajasthan: one of seven domestic plants

atomic power station in Tamil Nadu to less than half.

A recently published study by the Centre for Monitoring the Indian Economy, a respected independent data organisation, revealed that, during 1989-90, nuclear plants collectively generated 4.6bn billion units of power, compared with 5.08bn in 1988-89. Nevertheless, a target of 6.85bn units has been set for 1990-91.

In addition to such difficulties, there have been several protests by environmental groups nationwide, particularly in Kerala where the AEC is inspecting possible sites for a nuclear power plant.

Several rallies were organised on Hiroshima day (August 6).

There has also been much indignation in Kerala over the sacking of a prominent scientist, ProfessorK.V.G. Menon, from the directorship of the Agency for Non-Conventional Energy and Rural Technology by the state's left-wing Democratic Front government.

His dismissal was provoked by the publication of a letter in the local paper in which he expressed doubts about India's nuclear power programme.

Of even greater concern are reports of diseases and deformities in some villages near Kota in Rajasthan. These are being linked with radiation from the Rawatbhata nuclear power station.

There is, as yet, no clear-cut documentary or medical evidence to prove a direct relationship, but a Department of Atomic Energy report details many of the problems which have dogged the plant since it was commissioned in 1973. Among these is "a difficult problem of light-water leak in one of the end shields."

According to Mr Kati, the NPS, which is responsible for managing India's seven power plants, has a total and uncompromising commitment to safety.

Pointing to poor hygiene standards in Indian villages, he said: "The personnel in the Rawatbhata station are not affected. Does that not mean something? Perhaps we should monitor the health of villagers for a few years before setting up a unit?"

One thing, however, remains incontrovertible – the Indian nuclear power programme is seriously behind schedule. The country is not critically dependent on nuclear power – at least until the turn of the century according to power industry experts – but it continues to face pressing power shortages.

Importing the French and Soviet plants is one solution. But, if the French deal goes through, it may have repercussions on relations with Pakistan, with which France is also negotiating.

Both Mr Kati and Professor M.G.K. Menon, the Minister of State for Science and Technology, insist that it is too early to comment on the negotiations.

INDIA'S NUCLEAR POWER PROGRAMME

Location	State	Installed capacity	Year of commissioning
I Under operation			
Tarapur	Maharashtra	2x210	1969
Rawatbhata	Rajasthan	2x220	1973,1981
Madras	Tamil Nadu	2x235	1983, 1985
Narora	Uttar Pradesh	1x235	1990
II Under construction			
Narora	Uttar Pradesh	1x235	1991
Kakrapar	Gujarat	2x235	1991,1992
Kaiga	Karnataka	2x235	1995,1996
Rawatbhata	Rajasthan	2x235	1995,1996
III Under sanction			
Kaiga	Karnataka	4x235	1996-97
Tarapur	Maharashtra	2x500	1997-98
Rawatbhata	Rajasthan	4x500	1998-2000
IV Planned			
Kudankulam	Tamil Nadu	2x1000	1996-99
New projects		6x500	1998-2000

Source: Directorate of Environment and Public Awareness, Nuclear Power Corporation.

Bhutto complains of victimisation

By Farhan Bokhari in Lahore

MS Benazir Bhutto, Pakistan's ousted Prime Minister, yesterday alleged that members of her administration were being singled out for prosecution when charges of corruption similar to those which she faces could equally be brought against some of her political rivals.

She told a large meeting of lawyers at Punjab High Court Bar Association that her Pakistan People's Party was being singled out in this process of accountability – a term which had recently entered Pakistani political use and which refers to government action in special courts to make members of the previous government accountable for their alleged deeds.

"What justice is this when you have a one-sided accountability?" she asked, after alleging that her opponents were being spared while her party members were victimised.

Ms Bhutto suggested yesterday that a high-powered judicial commission should be established to investigate the conduct of all presidents and prime ministers of Pakistan since 1977. This would include former President Mohammad Zia ul-Haq, former Prime Minister Mohammed Khan Junejo, the current President Ghulam Ishaq Khan, and Ms Bhutto.

She has said that she would not appear before the special tribunals where these charges are being heard, but would be prepared to face an open court.

She also alleged that the interim Government installed after her dismissal on August 6 was using state-controlled television to discredit her party's achievements.

Benazir Bhutto: her party has been 'singled out'

US ambassador's speech causes furore in Pakistan

TWO OF the most powerful ministries in Pakistan's caretaker Government were at odds yesterday over statements by the US ambassador, AP reports from Islamabad.

A Foreign Ministry spokesman chastised Interior Minister Zahid Sarfraz for saying US Ambassador Robert Oakley should be removed and replaced with "someone more sensible."

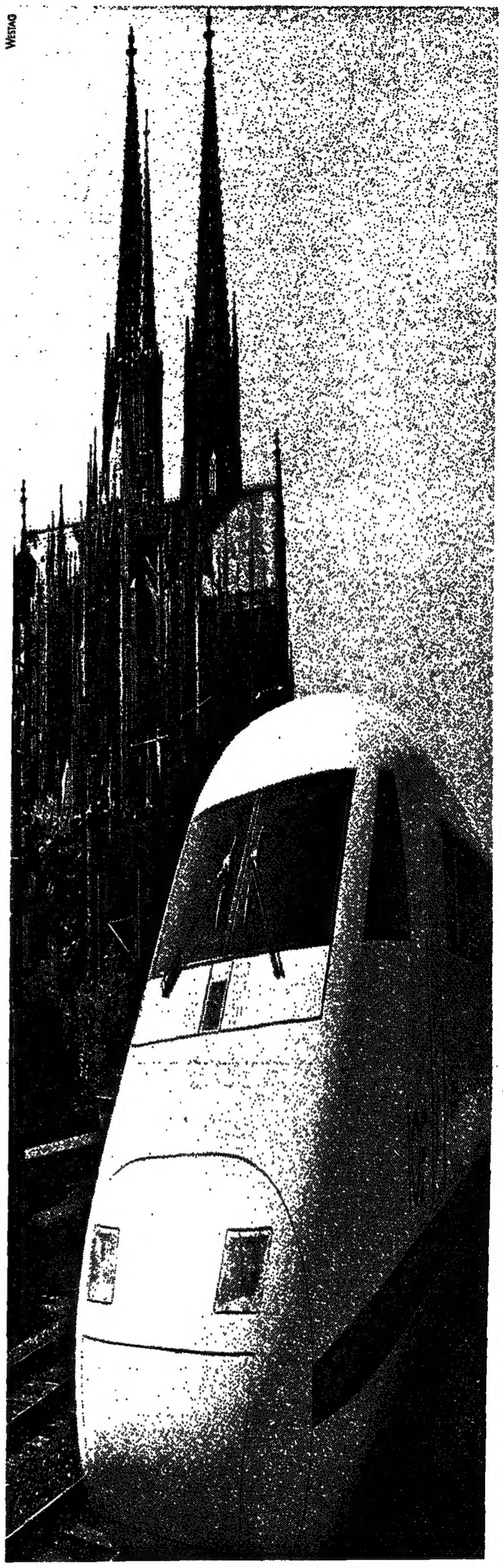
Mr Oakley's speech to the Washington-based Asia Society last week has caused a furore in Pakistan and exposed rifts within the caretaker Government.

In his speech, broadcast in Pakistan by the Voice of America's Urdu-language service, Mr Oakley said special one-judge tribunals set up to investigate charges of political corruption should not be restricted to ousted Prime Minister Benazir Bhutto and her former government.

He said they should also probe political practices dating back to 1985, when many of Ms Bhutto's right-wing opponents were in power.

The Foreign Ministry summoned the US charge d'affaires to protest at Mr Oakley's remarks.

On Sunday, caretaker Prime Minister Ghulam Mustafa Jatoi said the Foreign Ministry had jumped to conclusions and tried to dismiss Mr Oakley's comments. But the day after, Mr Sarfraz contradicted the Prime Minister, prompting the intervention of the Foreign Ministry, which said Mr Oakley's remarks were none of the Interior Minister's business.



Japanese increase consumer spending

By Stefan Wagstyl in Tokyo

JAPANESE consumers' taste for luxuries, including fine clothes, imported cars, and foreign holidays, shows no sign of abating despite this year's turmoil in financial markets. While Americans and Britons are tightening their belts, Japanese are continuing to increase spending on consumer goods and services, according to a report from the Bank of Japan.

"No major adverse impact of rising interest rates since last year in personal consumption has been detected to date," says the central bank in a report. The growth of personal consumption in the current fiscal year which began in April is expected to exceed the 3 per cent increase recorded in 1989-90.

In July, department store sales were 10.6 per cent higher than in 1989, says the report. Passenger car sales rose by 4.8 per cent, sales of electrical appliances by 14.7 per cent, and of foreign trips arranged by big travel agencies also by 14.7 per cent.

The central bank says continuing labour shortages will lead to wage increases and new job opportunities. A growth in the number of female employees, particularly married women, since 1988 is particularly significant, says the report. The rate of increase of the female working population has risen from 2 per cent in 1987 to nearly 5 per cent last year.

"This participation of housewives, coupled with the increase in employee income, is largely sustaining the expansion of personal consumption," it says.

The bank adds that consumers are becoming more diverse and sophisticated, pushing manufacturers to respond more quickly and imaginatively to changes in taste.

This in turn has supported increases in capital investment by manufacturers and service companies alike. In contrast to the early 1980s, when exports drove investment and growth, personal consumption is now the motor of the Japanese economy, says the Bank of Japan.

JAPAN'S money supply grew by 11.9 per cent in the year to the end of last month, the lowest rate of increase recorded since March but still big enough for the Bank of Japan to express concern, Stefan Wagstyl reports. A senior central bank official said money supply growth remained at a high level despite five consecutive increases in the Official Discount Rate. "The rate of the slowdown is not very satisfactory," he said. The central bank is worried that the rate of money supply increase may fuel inflation, especially as the economy is expanding strongly, in contrast to the US and some European countries, including the UK. The latest increase in the official discount rate, in mid-August, came too late to have any impact on these money supply figures.

Tokyo says Soviet threat has receded

By Ian Rodger in Tokyo

The Japanese Government has removed descriptions of the Soviet Union as a potential threat from its annual defence policy white paper for the first time in 10 years.

The move is partly a reflection of the reduction of Soviet military strength in the Far East, but is mainly due to the eagerness of Japanese leaders to improve relations with their huge western neighbour before a planned visit of President Mikhail Gorbachev to Tokyo next April.

However, the white paper, published yesterday, claims that the Far East region is still unstable, mainly because of tensions in the Korean peninsula and Indo-china, and so Japan must maintain its policy of improving its defence capability.

Also, there is considerable disagreement within the government over the extent to which the Soviet threat has receded. The white paper acknowledges that it is increasingly difficult for the Soviet Union to commit any act of aggression, and details cuts of 30,000 men, 15 warships and 190 aircraft in the Far East since Mr Gorbachev announced unilateral reductions in May, 1989.

However, a senior defence official said yesterday that, despite the change in phrasing in the white paper, concern remained about Soviet military power. Much of the equipment that had been scrapped by the Soviets was obsolete, leaving more effective modern equipment and forces in place. Soviet nuclear and conventional forces in the Far East represented a quarter and one third respectively of total Soviet forces.

Self Defence Agency officials said they agreed to the change in wording of the white paper only after receiving assurances that they would not affect planned equipment purchases in the medium term.

The military has already been subjected to budget growth cuts as a result of easing tensions, though, and a number of big procurement plans have been postponed as defence officials assess the significance of what the white paper calls an historic change in the framework of East-West relations.

The defence agency budget is expected to grow by only 5.8 per cent in the next fiscal year, compared to a record 6.1 per cent rise to Y4,200bn (£16.2bn) in the current year.

Opposition groups are likely to seize on the change in wording to demand further reductions in defence spending. Until now, the Soviet threat has been the main justification for Japan's military build-up.

A further complicating factor is the demand from the US that the Japanese government pay a larger share of the costs of maintaining US forces in the country.

The notion of the Soviet Union as a potential threat was inserted in Japanese policy 10 years ago in response to a significant build-up of Soviet forces in the southern Kurile islands north of Hokkaido. Japan, which claims these islands, is hoping to win them back in negotiations with the Soviet Union in the near future.

The white paper contains two pages of colour illustrations of the day in the life of a defence forces recruit, and the paper suggests that the agency will put increased emphasis on improving living quarters, fringe benefits and retirement arrangements for soldiers, in an attempt to solve its chronic staff shortage problem.

Sri Lankan forces 'used terror'

By Robert Mauthner, Diplomatic Correspondent

SRI LANKAN security forces have killed tens of thousands of people in the south of the country in recent years and thousands of others have "disappeared," Amnesty International, the London-based human rights organisation, charged today.

The allegations were made in a special report marking the start of a three-month campaign by Amnesty's British section to publicise what it describes as "government-backed terror tactics."

People have been shot in their homes and in captivity, and their bodies have been openly dumped on roadsides, in fields and in rivers. Entire communities have been attacked in retaliation for opposition violence, Amnesty said in the report, which focuses mainly on human rights violations in the south of the country. It is there that the Government faces armed opposition from the People's Liberation Front (JVP), the extreme nationalist Sinhalese group.

Many thousands have been forced to flee the country to escape the escalating violence, according to the report. More than 7,000 Sri Lankan nationals have sought asylum in the UK alone since 1985, and some asylum seekers have been forced to return home to face more terror there.

"There have been cases of Tamil refugees who, having failed to obtain asylum in the UK, were expelled to Sri Lanka where they were tortured," the report added.

Amnesty considers that current UK asylum policy and practice is in breach of international law and urges the British Government to review its refugee policy.

US ready for Philippine pullout

By Greg Hutchinson in Manila

THE US yesterday accepted a phasing out of its military presence in the Philippines, as negotiations between the two countries on a new defence relationship opened in Manila.

Mr Richard Armitage, the US special negotiator, in an opening statement said: "It is clear to me that the days of a very large presence of US sailors and airmen in the Philippines are coming to an end.

"What remains for us to determine is the rate at which this presence will be reduced and the nature of the relationship our two governments wish to pursue during and after this transitional period."

The existing deadline for American sailors and airmen to leave is a year away, based on a strict reading of the Philippine constitution, which bars foreign forces after next September, when the US lease over its military facilities expires.

The Pentagon wants to stay longer, possibly beyond the year 2000. However, President Corazon Aquino said in a television address on Monday night that the two countries should work towards an "orderly withdrawal" of US forces, and the only way the servicemen could remain beyond next September would be through a treaty.

Such a treaty would have to be ratified by two-thirds of the Philippine Senate, but at least half the country's senators publicly oppose retention of the bases beyond the expiry of the lease.

Just hours before the talks began a bomb explosion damaged the Voice of America transmitter tower near the capital's outskirts.

No-one immediately claimed responsibility, but communist guerrillas have been at the forefront of a campaign to have the US military facilities removed. They have killed 10 Americans since 1987 to drive home their vow.

Richard Armitage, US special negotiator, (right) with Raul Manglapus, Philippine foreign minister

US plays for time in talks on bases in Philippines

Sovereignty is the key issue, says Greg Hutchinson

MR Richard Armitage is a burly Vietnam veteran who looks more like an international weight-lifter than the former US assistant defence secretary and skilled negotiator which he is.

As leader of the US team discussing a new defence relationship with the Philippines, he stated candidly yesterday that the Americans' days as regional masters are numbered. His role is to buy as much time as possible.

Mr Armitage claimed that ardent critics of the decades-old US facilities in its former colony would privately agree that a hasty withdrawal would be destructive. "In the here-and-now of people trying to earn a living and countries trying to adjust to a changing world, the differences between, for instance, 12 months and 12 years are monumental," he said.

Clark Air Base – where aircraft from Australia, Singapore and Thailand practice up to seven times a year – and Subic Naval Station, home of the US Seventh Fleet, are the main facilities at issue in the negotiations. Philippine President Corazon Aquino wants the talks wound up by early next year.

At issue are some of the largest US overseas bases. Clark and Subic, along with four smaller facilities – all north of Manila – help project US armed might potentially as far away as the Persian Gulf.

The US ruled the Philippines for only about 40 years but has had a tremendous impact on the country's culture and society. It still ranks as the Philippines' largest investor and trading partner.

The Filipinos ignored for decades the issue of who actually controls the bases. The nominal commander of Clark, a Philippine brigadier-general, for example, is encamped in a corner of the sprawling air base, insulated from its American-staffed nerve centre.

The US has long called the shots in the Philippines. Two of its fighters, flying cover for Mrs Aquino's troops during last December's coup attempt, helped turn the tide of the rebel insurrection.

However, Mr Raul Manglapus, foreign secretary and the chief Philippine negotiator, said yesterday that sovereignty was the crucial issue and that the negotiations should downplay dollars and cents.

Mr Armitage stressed that the US forces would not stay in the Philippines if they were an obstacle to the country asserting its sovereignty. "To the extent that Filipinos do not believe themselves to be masters in their own house, and to the extent a US military presence accounts for that belief, it would seem to be incumbent on the leaders of this country to do something about it," he said.

"The new relationship will, by definition, explicitly acknowledge the Filipinos as masters in their own house. A lesser result is not even open for discussion," Mr Armitage added.

But while echoing a concern for Philippine sovereignty, Mr Armitage clearly expects the Filipinos to give the US more time while it searches for alternatives.

In that regard, the negotiations have important implications for neighbouring nations of south-east Asia, which will likely feel the need to boost their own national forces to fill the void left by any eventual phase-out of the US military presence.

"Let us give our friends in this region adequate time to adjust to a world in which superpower rivalry is being replaced, it seems, by the proliferation of regional powers seeking domination of their respective neighbourhoods," Mr Armitage argued.

Talks are under way with Singapore for increased US access to ship repair facilities and airfields which that could form part of a network of relocated military bases. There have also been suggestions of US interest in moving some of its operations based in the Philippines to northern Australia.

Under different circumstances, the Philippine-based forces would have featured prominently in the US military build-up in Saudi Arabia, according to senior US military officers at Clark. However the US chose to redeploy almost entirely via Europe.

One of the US officers said a main reason was that Washington did not want to add to Mrs Aquino's mounting economic and political woes by jeopardising the safety of some 70,000 contract workers trapped by the Iraqi invasion of Kuwait.

Prevailing uncertainties in Asia were also cited as a factor in the decision, particularly a perception of renewed political instability in the Philippines itself, with fears of yet another coup attempt.

Hong Kong grants pay concessions to police

By Angus Foster
in Hong Kong

HONG KONG'S policy-making Executive Council has approved a pay increase for its police constabulary of up to 18 per cent. It is a move that the Government hopes will restore flagging morale and improve recruitment to the force at a time when public confidence in law and order in Hong Kong is being questioned.

The increase is lower than police wanted but it compares with a 15 per cent average pay rise for other civil servants awarded earlier this year. Pay increases for senior police officers are still being discussed.

The rise for junior officers is likely to build hopes among other branches of the civil service of further pay increases. However, with the Hong Kong economy registering almost no growth in the first half, the Government is trying to keep a tight rein on spending.

Yesterday's decision follows long and bitter dispute involving the police, its pay review body and the Government.

Last month police staff associations broke off negotiations with the pay review board and passed a vote of no confidence in the force's senior management. The associations felt their grievances about police morale were not being heard.

New recruits are to receive the largest increases. Only 277 joined the force between April and September, according to police figures, far short of a recruitment target of 1,000. As many as 268 junior officers left the force prematurely during the same period.

Staff associations say starting salaries for junior officers no longer compete with private-sector salaries. As 1997 approaches, there are also worries about job prospects once Hong Kong returns to Chinese sovereignty.

A recent spate of shoot-outs between police and robbers and a perceived increase in gang-related crime may have prompted the Government to accept the pay recommendations in a bid to restore public confidence in law and order. Last week a fire-bomb in a mah-jong parlour left six dead and 24 injured. So far, in spite of a big police effort, there have been no arrests.

Banker 'cannot recall' key event in Li stock case

By Angus Foster
in Hong Kong

MR JOHN Bond, a senior executive of Hongkong and Shanghai Banking Corporation, said yesterday he had no recollection of events four years ago regarding the listing of Cathay Pacific Airways. He was giving evidence in the corruption trial of Mr Ronald Li, former chairman of the Hong Kong Stock Exchange.

Mr Bond was then chief executive of Wardley, Hongkong Bank's merchant banking offshoot, a joint adviser to the issue. The court earlier heard from Mr Keith Holman of Wardley that he and Mr Bond discussed, and then agreed to, a special request from Mr Li for shares in Cathay Pacific before the company gained its quotation on the exchange.

Yesterday Mr Bond said he had "no recollection" of the discussion with Mr Holman. His only recollection of events came from seeing statements made at a later date by witnesses in the trial.

Asked about the discussion with Mr Holman, Mr Bond said: "I cannot recall what went on in that conversation, but I have no reason to doubt what (Mr Holman) said in his statement."

Pressed on the matter, Mr Bond continued: "As I have said, I have no recollection of the meeting. But if I'd have thought there was anything untoward about what Holman was suggesting, I would have refused."

Mr Li has pleaded not guilty to two charges of accepting shares as a reward for helping with, or not obstructing, the listings of Cathay Pacific and Novel Enterprises in 1986 and 1987 respectively.

The case continues.

Winnie Mandela: designer battledress

Winnie Mandela fails in a tough role

Patti Waldmeir on the life and trials of the 'Mother of the Nation'

THE kindest thing which can be said about Mrs Winnie Mandela, wife of Mr Nelson Mandela, is that she is simply not up to the job of being married to a martyr.

For the 27 years of her husband's imprisonment, which ended in February, Mrs Mandela felt the brunt of Pretoria's fury. She was banned, detained, and persecuted for her political beliefs. In short, the "Mother of the Nation" – the title conferred on her by South African blacks – led an appallingly difficult life.

Now Mrs Mandela faces four charges of assault, and four of kidnapping in connection with the severe beatings of four young blacks at her home in Soweto in 1988. Many blacks – perhaps including Mr Mandela himself – will believe that this is evidence that Pretoria is back to its old tricks of victimising the African National Congress. Some will think she has been framed.

But many others will feel that she has shamed the black nation – whether or not she is found guilty as charged. Among activists, Mrs Mandela has long been viewed as an embarrassment; time and again, she has taken public platforms to propound what she claims to be ANC policy – only to find ANC officials contradicting her equally publicly.

Dressed in the designer battle fatigues which have become her hallmark, Mrs Mandela – who was South Africa's first black social worker – appears more militant than the most radical township "comrade".

She uses the sort of emotive language which most other ANC officials eschew – promising during the Mandelas' recent trip to New York to "return to the bush and take up arms against the white man" – and she recently toured bloodied townships to encourage ANC supporters to fight when other leaders were working for peace.

The ANC last month named her its social welfare director, a move criticised by some black leaders. It is the first official post she has held in any anti-apartheid group.

Some anti-apartheid figures have privately attacked Mrs. Mandela for preferring the spotlight of international publicity to the less glamorous task of political organisation.

"She is blunt, rash, emotional and speaks from the heart – that is why people respond to her and why she is controversial," said Fatima Meer, author of a biography of Mandela.

Activists may dismiss Mrs Mandela as an irrelevance, tolerated because her husband would not have it otherwise.

But her comments regularly unsettle a white community already fearful for its future.

Many whites have never forgotten a speech delivered by Mrs Mandela in 1986, when she defended the practice known as "necklacing" – placing a burning tyre around the neck of a victim as punishment for a range of perceived offences against the anti-apartheid struggle. She told a rally: " With our boxes of matches and our necklaces, we shall liberate this country."

But the charges Mrs Mandela now faces are of a wholly different order: she is to be prosecuted for kidnap and assault with intent to commit grievous bodily harm.

The charges arise from the abduction of 14-year-old Stompie Seipei by members of Mrs Mandela's bodyguard, the so-called Mandela United Football Club, in 1988. Stompie was later found with his throat slit in a Soweto ditch; Mr Jerry Richardson, the club's "coach", was sentenced to death last month for his murder.

Mr Justice B. O'Donovan, the Supreme Court judge who sentenced Mr Richardson, found that Mrs Mandela was present "for at least part of the time" on December 29, 1988, when four men including Stompie were assaulted at her Soweto home. The court heard from some witnesses that Mrs Mandela took part in the assaults.

Mr Justice O'Donovan said it was alleged that Mrs Mandela had punched and whipped each of the abducted youths after declaring they were not fit to be alive, adding that testimonies to this effect by the three men who survived corroborated each other in all material respects.

When news of Stompie's death first became public, anti-apartheid activists shunned Mrs Mandela and said they were outraged by her actions. She has since been accepted grudgingly back into the fold; but precious few in the ANC leadership will be tempted to come to her defence now.

Few that is apart from her husband, who clearly adores his strikingly attractive 56-year-old wife. Mr Mandela is said to feel deeply guilty for the troubles inflicted on Winnie because of his decision to dedicate his life to the fight against apartheid.

He has condemned Pretoria for failing to give her an opportunity to defend herself. Now she has that chance. And Mr Mandela can be expected to stand firmly at her side while she does so.

Hanoi talks on refugees this week

BRITISH, Vietnamese and United Nations officials are to meet in Hanoi this week to discuss repatriating boat people languishing in camps throughout Asia, Reuter reports.

A western diplomat said yesterday that officials from Britain and the UN High Commissioner for Refugees would try to persuade Vietnam to allow Hong Kong and Asian countries to send home tens of thousands of boat people who are not political refugees but illegal economic migrants.

Hong Kong has 54,000 Vietnamese, most not regarded as refugees eligible for resettlement in western countries. Thousands more are in camps in Thailand, Malaysia, Indonesia and the Philippines.

Hong Kong and countries of the Association of South-East Asian Nations say these illegal migrants must be sent back to Vietnam, but Washington has strongly objected, calling such a policy inhumane.

Vietnam, which wants the US to drop its trade embargo against Hanoi and is reluctant to offend Washington, has raised similar objections.

Washington says Hong Kong should give a programme that encourages boat people to go home voluntarily more time to work. Under the programme, 4,251 boat people have returned since March 1989.

Australian bank bill being drafted

MR PAUL KEATING, the Australian Treasurer said yesterday he hoped legislation permitting the partial privatisation of the federally owned Commonwealth Bank will be put to Parliament before Christmas, AP-DJ reports from Canberra.

The legislation will also enable Commonwealth Bank to buy State Bank of Victoria from the Victorian state government for A$1.6bn(£700m)

Mr Keating told a weekly meeting of ruling Labor Party MPs "the process has to go through a very very stringent net asset assessment of the State Bank of Victoria".

The government wants to sell 30 per cent of Commonwealth Bank to raise the funds for the acquisition of State Bank of Victoria.

Mr Keating said legislation to allow the sale of shares in Commonwealth Bank is currently being drafted. He said he wants the legislation before parliament as soon as possible, and that he would like that to be before Christmas this year.

Plea for Liberia ceasefire

A US envoy flew to Liberia yesterday and said he would try to persuade rebel leader Mr Charles Taylor to accept a ceasefire in the country's civil war, Reuter reports from Freetown.

Mr Herman Cohen, US Assistant Secretary of State for African affairs, told reporters in the Sierra Leone capital of Freetown he was going to Monrovia, the Liberian capital, on a one-day fact-finding mission.

Mr Taylor launched the civil war nine months ago to oust President Samuel Doe – who was killed earlier this month – and has become the main obstacle to a ceasefire which a West African peacekeeping force is trying to impose.

Gabon election cancelled

Authorities cancelled election ballots in Gabon's two most important centres yesterday alleging irregularities, leaving President Omar Bongo's ruling party in the lead, Reuter reports from Libreville.

An official decree, citing misconduct in Monday's poll – the first multi-party elections in the West African oil-producing country – invalidated the vote in the capital Libreville and in 10 of 13 constituencies in Port Gentil, the economic centre.

Nationwide, more than a quarter of the ballots were cancelled after charges of cheating, disorder or poor organisation.

AMERICAN NEWS

Brazil links deal on arrears to $2bn IMF loan

By Stephen Fidler, Euromarkets Correspondent, in Washington

BRAZIL has told the International Monetary Fund that it will freeze its arrears of interest on debt to foreign creditor governments if it gets agreement on a $2bn standby loan programme with the IMF.

According to a letter of intent from the Brazilian government to Mr Michel Camdessus, IMF managing director, Brazil also intends to eliminate its arrears with the Paris Club of creditor governments by February.

But the letter shows no commitment to make any payments to commercial banks. While discussions take place, "Brazil will not be in a position fully to cover contractual interest obligation on the medium and long term bank debt of the public sector," it says.

Brazil missed an interest payment of $1.3bn (£700m) due to commercial banks on Monday, bringing to at least $10bn its interest arrears to all foreign creditors. The letter shows Brazil is $8.7bn in arrears at the end of June.

The country's failure to make a public commitment on interest payments to banks has angered bankers and raised questions over whether the standby programme as outlined by the fund's management will meet the approval of the IMF governing board.

Mr David Mulford, US Treasury Under Secretary for International Affairs, said this week that "identifiable progress" towards clearing some of the interest arrears would have to be made before the board approved the standby credit.

His view is supported by other prominent governments on the IMF board. Agreement between Brazil and the fund management emerged after a meeting almost two weeks ago between Mr Camdessus, Mr Jorio Dauster, Brazil's debt negotiator, and Mr Ibrahim Eris, central bank governor.

Brazil has proposed a reserve account into which it would make payments as negotiations with banks progress, but this is likely only to be acceptable to some IMF board members if the account is not controlled by the Brazilians.

Creditor banks meet today in New York as a prelude to negotiations with the government that are expected to start in October. An IMF official is likely to give details of the proposed standby programme.

The letter sets no target for Brazilian inflation, but says the decline will be fast. "By the end of 1990 the rate of price increase will be such as to be consistent with limiting inflation during 1991 to less than 25 per cent," it says.

It also forecasts the operational public sector budget will swing from a deficit equivalent to more than 7 per cent of gross domestic product last year to a surplus this year of 0.5 per cent. This will permit a drop in the public sector borrowing requirement to less than half the 73 per cent of GDP registered in 1989.

The PSBR is expected to fall to less than 5 per cent of gross domestic product in 1991.

Tax revenues grew by 70 per cent in real terms in the first half of the year, due in part to measures against tax evasion, the letter notes. It says the government intends to privatise 10 companies in the steel, petro-chemical and fertiliser sectors over the next three years, the total worth of which is estimated at $15bn.

The government will also sell minority participation in 16 other companies.

Brazil liquidity squeeze forces up interest rates

By Simon Fisher in Rio de Janeiro

TIGHT liquidity, the main weapon in Brazil's battle to force down rising inflation, has pushed up interest rates to their highest levels since the government's economic stabilisation plan was launched in March.

The overnight fund, the shortest of all, peaked at 38 per cent per month on Monday, before falling back to 30 per cent.

Inflation has also risen to a monthly rate of more than 13 per cent, according to one measure, which is 1.4 points above the previous figure.

Inflation is a long way off the monthly target of 7 per cent for the second half of this year, set out in the accord Brazil signed with the International Monetary Fund last week.

Markets were jumpy as the central bank began to enforce collection of bank credits which, in theory, total more than the entire supply of money in circulation in Brazil. But the bank relaxed its squeeze in the first round of the operation on Monday in an attempt to calm the near panic that has reigned in recent weeks.

The restrictive monetary strategy is aimed at forcing inflation below 10 per cent a month. But this has brought other problems, too. Businessmen are threatening to pass the high cost of money on to prices, while the erosion of salaries also fuels labour unrest.

US budget talks falter over capital gains tax

By Peter Riddell

SENIOR members of the Bush administration and congressional leaders were yesterday seeking a last-minute solution to the budget deadlock after negotiators failed to meet another self-imposed deadline.

After 11 days of talks at Andrews Air Force Base south of Washington ended without agreement on Monday night, Mr Tom Foley, the Democrat House Speaker, suggested that a face-to-face meeting with President George Bush might resolve disagreement over a cut in capital gains tax, which has remained the main obstacle.

Other disagreements involve cuts in Medicare health programmes, the enforcement of any agreements and longer-term defence savings.

Mr Foley, who had been optimistic over the weekend about an early agreement, said yesterday: "We really have a serious problem."

While it was not total gridlock "the problem is the insistence of the administration on reducing the capital gains tax". The argument is over whether any cut should be offset by higher income tax rates for the wealthy.

Senator Robert Dole, Republican minority leader, said it was "not quite an impasse, but it's pretty close to one".

President Bush, who yesterday began a two-day campaign trip in Colorado and California, refused to write-off the talks. He said his negotiators were "going back. We're staying with it. I can't really predict what's going to happen."

He added that everybody involved "agrees we've come quite a way, but it's not done by a long shot".

Unless agreement is reached within two weeks, automatic across-the-board spending cuts of up to $105.7bn (£57bn) could come into effect under the Gramm-Rudman deficit reduction law. This would hit a wide range of domestic programmes, from air-traffic control to social services.

The final executive order on these cuts is due to be signed on October 15.

One possibility is that if agreement cannot be reached within the next 10 days, then the automatic cuts might be postponed until talks resume after the mid-term elections on November 6.

But it is unclear whether that would be acceptable politically, let alone for the financial markets.

Auto union wins fund concession

THE United Auto Workers Union has confirmed its tentative contract agreement with General Motors includes a $4bn job security fund, Reuter reports from Detroit.

The fund would provide "unprecedented" income security for current and future laid-off workers, the union said. At the outset of talks with the UAW, General Motors is believed to have offered $3bn for a job security fund.

The UAW and GM reached a tentative contract settlement covering more than 300,000 union employees early on Monday morning.

Mulroney gambles on patronage politics

Bernard Simon on a controversial, and risky, appointment to the Canadian Senate

IF CANADA'S ruling Progressive Conservative government is thrown out of office at the next election the chances are that a single patronage appointment made by Prime Minister Brian Mulroney last week will be at least partly to blame.

Commentators are at a loss to find any political advantage in Mr Mulroney's decision to offer one of the cosiest sinecures in the land, a seat in the federal Senate, to Mr John Buchanan, the outgoing premier of Nova Scotia.

But if the appointment promises little gain for Mr Mulroney, it carries no shortage of risks; the move has tossed a match into two of Canadian political life's more flammable issues, those of patronage and constitutional reform.

Mr Buchanan, who held office in Nova Scotia for 12 years, was Canada's longest-serving provincial leader before he stepped down on September 12 to accept the Senate seat. Unlike other, more independently-minded provincial premiers, he has always been a loyal supporter of the federal Conservatives. He earned special thanks from Mr Mulroney for his support earlier this year of the doomed Meech Lake constitutional accord.

The accord – designed to get Quebec's signature on the Canadian constitution in return for recognition of its "distinct" francophone identity – collapsed in June after three years of divisive debate, when Manitoba and Newfoundland failed to ratify it.

What has raised eyebrows is that Mr Buchanan's Senate appointment comes at a time when both he and the Nova Scotia government are in the thick of a political scandal.

Police are probing allegations by a former head of the provincial supplies department that Mr Buchanan and several other ministers used government property for their personal use and, more seriously, steered government contracts towards friends and political allies.

One of the contracts in question was for C$50,000 (£22,000) worth of mechanical toilet seat-cover dispensers which were never used.

Senate appointments are usually quietly announced and then forgotten. It is virtually taken for granted that the party in power names only its own supporters – mostly retired politicians and party organisers – to these C$72,000-a-year, plus perks, posts.

But Mr Buchanan's arrival comes as the Senate faces a fast-brewing political storm, stemming from the fact that the 104-member "Red Chamber" still has a majority of Liberal members. This is due to the many seats handed out to Liberals by Mr Pierre Trudeau and his successor Mr John Turner, who spent a total of 16 years in office up to 1984.

Led by one of Canada's wiliest politicians, former deputy prime minister Allan McEachen, the Liberals have spent the past few months stalling two of the Mulroney government's most important – but also most contentious – pieces of legislation.

Brian Mulroney: named 10 new senators in the past two weeks

One is a bill to implement the Goods and Services Tax, or GST, which is a new 7 per cent value-added tax due to take effect on January 1 1991. The other is an overhaul of unemployment insurance.

Although the upper chamber cannot veto government bills, numerous stalling tactics (which in the case of the GST bill have included lengthy nationwide hearings) can delay passage almost indefinitely.

Despite a lengthening list of vacancies, Mr Mulroney suspended Senate appointments during the Meech Lake debate in deference to a clause in the constitutional package which would have changed the way senators are appointed.

The collapse of Meech Lake, coupled with the growing urgency of putting the GST and unemployment insurance bills on to the statute book, have prompted Mr Mulroney to name no fewer than 10 new senators in the past two weeks. At least another five are expected soon to give the Tories the majority they need.

The Buchanan affair is likely to renew the calls for Senate reform, which also permeated the Meech Lake debate. Western provinces in particular have been pushing for a so-called Triple-E (elected, equal – ie, the same number of members from each of the 10 provinces – and effective) chamber as a means of curbing the power of Ontario and Quebec in Ottawa.

The blatant patronage involved in Senate appointments disturbs many Canadians. But both main parties, obviously aware of the system's advantages for them, have generally preferred not to make an issue of it.

Mr Mulroney scored heavily in a TV debate during the 1984 campaign, which brought the Conservatives to power, when he attacked Mr Turner for naming a clutch of party worthies to the Senate in the dying days of the Liberal government.

The prime minister is now being pointedly reminded of that incident. But he has so far brushed aside the criticisms, describing Mr Buchanan as a victim of "unsubstantiated allegations".

With opinion polls showing the Conservatives at an all-time low and with the next election probably still two years away, Mr Mulroney presumably feels that even if he cannot gain much from the Buchanan appointment, he does not – at least for the time being – have much to lose either.

FINANCE MINISTER LOWERS FORECASTS FOR ECONOMY

MR Michael Wilson, Canada's Finance Minister, has scaled back earlier forecasts for the economy and acknowledged that the country may already have slipped into a "technical recession," writes Bernard Simon.

Mr Wilson expects little or no growth in the second half of the year, following a 0.4 per cent fall in real gross domestic product in the three months to June. Growth for 1990 as a whole is now set at 1 per cent, compared to the 1.3 per cent forecast in last February's budget.

Mr Wilson also confirmed private economists' doubts that growth in 1991 would reach the government's earlier 3 per cent forecast.

Evidence of a sharp slowdown in business activity has led the Bank of Canada to allow a significant decline in short-term interest rates over the past six weeks.

Unexpectedly high interest rates earlier this year made it unlikely the government would meet its budget targets for the year to next March 31 1991, Mr Wilson said. The budget deficit is now expected to be up to C$1.5bn higher than the C$28.5bn (£12.9bn) predicted in February. With one of the largest proportionate debt loads among industrial countries, Canada spends almost 30 per cent of its budget expenditures on servicing the public debt.

Congress speeds action on FDIC premiums

By Peter Riddell, US Editor, in Washington

PROPOSALS to give the Federal Deposit Insurance Corporation (FDIC) unrestricted freedom to raise insurance premiums paid by banks to guarantee deposits are being hurried through Congress to avoid the need for sizeable taxpayer support for the system.

Under special procedures the House of Representatives has unanimously approved the measure, which removes the current ceiling on premiums and the limit on the size of annual increases.

A similar proposal will be taken up next week in the Senate, where it is backed by Senator Don Riegle, chairman of its banking committee.

Separately, federal regulators have settled lengthy differences over banks' minimum capital requirements. The Comptroller of the Currency has agreed to a Federal Reserve proposal that the minimum should be set at $3 per $100 of assets for banks rated most highly by regulators, and more for others.

The urgency of congressional action on deposit premiums follows warnings last week that the insurance fund is at its lowest relative level in its 56-year history and could be vulnerable to further large bank failures. Congress wants to be seen to be taking action to avoid any repetition of the huge and unpopular savings and loan rescue.

The banking industry is going along with the proposal – despite misgivings about the danger of exaggerating the problem – in part because it recognises the strength of current political feeling. The industry argues, however, that any change in deposit insurance premiums should be part of a wider reform.

The Treasury is due to complete a comprehensive study of deposit insurance and banking regulation by early next year. Officials are seeking to dissuade Congress from adding any further proposals at this stage, beyond the removal of the premium restrictions, which the administration backs.

Under Senate rules virtually any amendment can be added.

Both the Fed and banking groups have warned that increasing deposit insurance premiums by too much could have an adverse effect on banks.

The FDIC has already proposed raising the premium from 12 cents per $100 of deposits to the current legal maximum of 19.5 cents and, while it has no plans for a bigger increase, the current law would rule out any change for another 12 months.

New York Post reprieved after staff agree pay cuts

THE New York Post, the brashest of New York's three tabloids, has been hauled back from the brink of closure as all 10 unions represented at the newspaper finally agreed to take big pay cuts to keep it afloat, writes Nikki Tait in New York.

The last union to decide was the Newspaper Guild, representing more than 350 journalists and workers in advertising and circulation. Members voted on the deal at a packed and highly charged meeting on Monday night – approving the package by a vote of 242 to 45.

Mr Peter Kalikow, a real-estate developer and owner of the loss-making Post since 1988, has said he would no longer cover the paper's deficits in the absence of a deal. He had been looking for wage cuts of $20m (£10.8m).

The proposals hammered out during a series of negotiations with the newspaper's various unions involved Guild workers switching to a four-day week and thus taking an effective 20 per cent pay cut. This will save an estimated $5m. Other unions agreed last week to cuts worth about $15m in total.

Yesterday edition of the Post celebrated the Guild's vote in typical style. "Yes!" was blazoned across its front page in letters at least five inches high, with the picture of a beaming production worker alongside. "Union vote saves Post," ran the accompanying strapline.

The Guild reached its decision after a painful and sometimes passionate debate, lasting 90 minutes. Many members felt the choice had become stark and that cuts or closure were the only scenarios – a stance which Guild officials backed.

However, some employees remained more sceptical, suggesting that workers were "knuckling under" to Mr Kalikow's demands. Views on how long the Post's reprieve may last also vary. Some industry analysts remain cautious, questioning whether the city can support four daily papers.

Caribbean plans for federation inch forward

Merger between four governments looks increasingly likely, reports **Canute James**

FOUR Caribbean governments which have been planning a political union of their island nations have agreed to create a constituent assembly next month, to discuss the political and economic implications of a federation.

This is to be followed by referendums next year, which the prime ministers of St Lucia, Dominica, St Vincent and Grenada are hoping will support political union.

The proposals for a political union were accepted in principle three years ago, but had to await the outcome earlier this year of national elections in Grenada and Dominica.

"There had to be a pause until we had the elections," explained Miss Eugenia Charles, Dominica's Prime Minister and one of the more enthusiastic supporters of political union. The referendums "will deal with the fundamental issues, and if the people of the islands are in favour of some form of union, then we will go ahead," she said.

The move towards political union started with the seven islands of Windward and the Leeward chain, which make up the Organisation of Eastern Caribbean States (OECS), a sub-group of the Caribbean Economic Community.

But the governments of the three Leeward Islands had early reservations about the timing, and were unwilling to commit themselves. The Windwards decided they would move towards a single state, leaving the door open to the others to join when they wished.

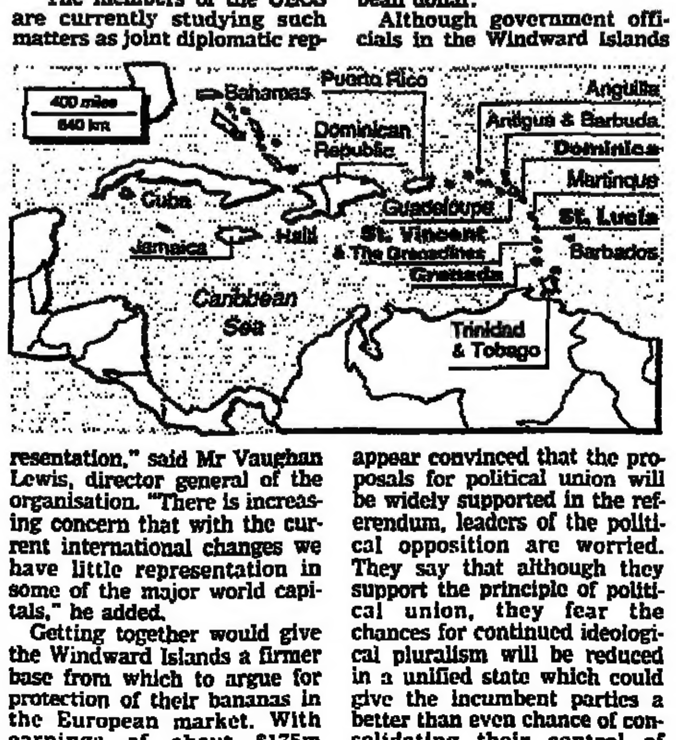
The aim of the four governments, if plans are supported by the results of the referendums, is to create a new, single state which would have a combined population of about 450,000 people. The precise form of the new state is yet to be determined.

The governments and the people of the islands will have to decide whether they want a strong central government which would delegate parochial responsibilities to island councils, or a looser federal structure under which island governments will continue to exercise a significant degree of autonomy.

Several factors support the notion of political union. The structure of the economies of the four islands is similar, based on the production and export of agricultural commodities – mainly bananas – and with a growing dependence on tourism. They have a common currency, central bank and judicial system. The four governments all lean towards the conservative, with strong links to Washington.

The islands are also driven by similar fears about their future. Government officials have spoken repeatedly of the effects on small economies of recent and impending changes in the international economy. The US-Canada free trade agreement, the creation of a single European market after 1992 and increased financial support by the west for the political developments in eastern Europe are all regarded as reducing the viability of small economies, particularly those which depend on preferential markets and official development assistance.

"The members of the OECS are currently studying such matters as joint diplomatic representation," said Mr Vaughan Lewis, director general of the organisation. "There is increasing concern that with the current international changes we have little representation in some of the major world capitals," he added.



Getting together would give the Windward Islands a firmer base from which to argue for protection of their bananas in the European market. With earnings of about $175m (£94.5m) a year from banana exports the islands, which account for about two thirds of Britain's banana consumption, are concerned that after 1992 they will lose the preferential market they now enjoy, and suffer from European imports of cheaper fruit produced in Latin America. This, officials explain, could destroy the Windwards' economy and the stability of the Eastern Caribbean dollar.

Although government officials in the Windward Islands appear convinced that the proposals for political union will be widely supported in the referendum, leaders of the political opposition are worried. They say that although they support the principle of political union, they fear the chances for continued ideological pluralism will be reduced in a unified state which could give the incumbent parties a better than even chance of consolidating their control of office.

Mr Julian Hunte, the opposition leader in St Lucia, said he and other opposition leaders felt the appointment of the constitutional assembly was "premature".

"When it becomes necessary to appoint such an assembly, it must have a protected legal status, clear terms of reference, and must be charged with protecting the integrity of the electoral process," he said.

But behind all these plans for the political future of the islands lurks the ghost of Federation Past. Just over three decades ago, 10 countries in the English-speaking Caribbean, including those now trying to create a political union, decided on federation. Within four years the experiment had collapsed, the victim of increasing nationalism and parochial concerns.

Officials in the Windward Islands, while not denying that domestic considerations could influence votes in a referendum, have been quick to claim that the current effort has sounder economic bases than the earlier and ill-fated federation plan had.

To a direct question about the willingness of island governments to cede some of the trappings of nationhood, a St Lucian official replied: "Of course there will be concern among some, but we have seen evidence that... most of the people of these islands will be willing to accept a new, common national anthem and flag and, if necessary, to speak with one voice through one vote in international forums."

Westinghouse 'ready for' Skoda N-deal

WESTINGHOUSE Electric, the leading US manufacturer of nuclear power generating equipment, said yesterday it was ready to co-operate with Skoda, the Czechoslovak engineering company, in nuclear power technology, Reuter reports from Prague.

Mr John B. Yasinsky, executive vice president of Westinghouse Power Group Systems, said his company's long-term aim was "to make Skoda its global partner in nuclear power generation technology".

Westinghouse is bidding for work on a projected nuclear power plant at Mochovce in Slovakia which Skoda, Czechoslovakia's leading engineering concern, is helping to build.

"This could help Skoda to gradually abandon the current manufacturing programme based on Soviet reactor technology and ensure a smooth transition to a sophisticated Western system, hopefully Westinghouse," Mr Yasinsky said.

Westinghouse would be willing to form a joint venture with Skoda and assign some of its fossil fuel generator programme to the engineering group, he said.

But problems concerning property ownership, taxes and repatriation of profits would first have to be solved through legislation currently before the Czechoslovak parliament.

Skoda is still state-owned but is expected to be privatised as part of Czechoslovakia's programme of economic reform and modernisation.

Export curbs on strategic goods 'hit US products'

US competitiveness has been seriously hurt by rules affecting the export of products with potential military uses, according to a report released yesterday, Reuter reports from Washington.

The report, by the Washington-based Economic Policy Institute, a private research group, said export controls were preventing US companies from competing for markets in the Soviet Union and other former East Bloc nations because Washington enforced trading rules more stringently than its allies.

"Much of the export control effort fails to achieve even its own national security goals, since many controlled products, such as advanced computers, telecommunications technology and machine tools, are now widely available from other nations." it said.

The report found that denying export licences did not keep products out of circulation. "It merely denies the business to US producers."

Rules aimed at barring the resale of US technology to potential enemies had become so onerous that western trading parters were avoiding US high-technology suppliers.

UK NEWS

Exchange Travel, seventh largest chain, hit by drop in package holidays

Fresh blow for UK travel industry

By David Churchill, Leisure Industries Correspondent

EXCHANGE TRAVEL, the UK's seventh largest chain of travel agents, was put under financial administration yesterday while efforts to keep the business going are made.

The company's financial problems come only a week after another travel company, Pegasus Holidays, was forced into receivership. Last week also saw British Airways sell its loss-making Four Corners travel agency chain to the Thomas Cook group.

Exchange Travel had run into financial problems this summer following the 20 per cent fall in package holidays sold and intense price-cutting competition between travel agencies.

A total of 35 travel agency companies have ceased trading this year, compared with 17 at the same stage last year.

Exchange Travel, which celebrates its centenary this year, is a family-run company with 128 outlets and a turnover of £110m.

Of these outlets, about 70 are franchised operations.

Some 300,000 holidays are understood to have been booked through Exchange this year, out of a total market of 10m package holidays sold through travel agents.

Although not one of the top five travel agencies, which together account for some two thirds of holiday sales, Exchange Travel has been one of the best-known names in the field. It decided to expand through franchising in 1984.

The High Court yesterday appointed three partners of the accountancy firm Arthur Andersen as joint administrators. They are Mr Alan Katz, Mr David Lovett and Mr John Talbot.

The three will be responsible for keeping the company in operation while buyers are sought and the future of the company is decided.

The administrators said the shops would stay open for the immediate future and balances on existing holiday bookings should be paid at the normal time.

They emphasised that any funds paid to Exchange would be placed in a trust account and would not form part of the company's assets.

"However, we will not be accepting any new bookings for the next few days," they added.

Under the bonding scheme operated by the Association of British Travel Agents, customers who book through Exchange Travel will have all their bookings and deposits honoured even if the company ceases trading.

The administrators said they were "in discussion with a number of interested parties and are hopeful of achieving sales of the businesses on a going concern basis."

One plan which is understood to be being considered is for existing franchisees to take on some of the outlets run by the company. Franchisees in the past have been asked to pay £40,000 for an Exchange Travel franchise.

Government setback over control of local council expenditure

By Emma Tucker

THE GOVERNMENT yesterday suffered a setback in its attempts to control local authority spending when the High Court upheld the £521 poll tax figure set by a London local council.

Two judges ruled that Lambeth borough council, the local authority, acted lawfully when it set the sum.

Mr Chris Patten, the Environment Secretary, took Lambeth to the High Court when it refused to reduce its poll tax charge to £493 per head.

He argued that the council had acted outside its powers and should not have exceeded his limit.

A Lambeth spokesman said: "This is an important case because the court has ruled that the secretary of state did not have the power to set maximum levels for the tax."

Mr Patten argued that the council exceeded its powers when it set the £521 figure by calculating that 15 per cent of people would not pay instead of the 10 per cent non-collection rate estimate that the council had used in March.

However, the court decided today that there could be circumstances in which a council could properly decide to adopt a different non-payment rate.

Last month the court supported the Government by outlawing the London borough of Haringey's decision to set a substitute poll tax figure using a higher estimated rate for non-payment.

The judges' decision and their acknowledgement that Lambeth's collection rate was lower than originally predicted will add to Government unease that the poll tax will resurface as an issue this autumn.

Mr David Blunkett, Labour's local government spokesman said that the decision threw the Government's entire poll tax capping strategy into serious doubt.

However, the Association of Metropolitan Authorities took a more cautious response saying that the Government had lost on a technicality which it could put right before next year

The court of appeal is likely to sit on Friday to consider the Government's objection to the ruling.

Electricity industry told to spend £6bn on fighting acid rain

By David Thomas, Resources Editor

THE UK electricity industry will have to invest more than £6bn in the next 10 years to combat acid rain, the Government said yesterday.

The estimate was contained in a plan issued by the Department of the Environment setting out how the UK would meet European Community targets for combatting acid rain.

However, the electricity industry, which is in the final throes of preparing for privatisation, immediately disowned the cost estimate distancing itself from the statement and other parts of the Government's plan.

The plan, published as a consultation document, is the first attempt by the Government to issue targets to individual industries for combatting acid rain.

From next year, the targets will be translated into individual statutory limits for the approximately 300 UK plants which will be covered by the regulations. The limits will de administered by the pollution inspectorate.

Under yesterday's proposals, the UK electricity will cut its emissions of sulphur dioxide, the main cause of acid rain, to 90 per cent of 1980 levels by 1993, to 60 per cent by 1998 and to 40 per cent by 2003.

The UK refining industry has to cut its sulphur dioxide emissions to 37 per cent by 1993, 35 per cent by 1998 and 34 per cent by 2003.

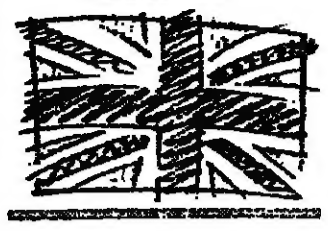
Other large industries such as steel and chemicals have to reduce to 44 per cent by 1993, to 37 per cent by 1998 and to 26 per cent by 2003.

These targets - and similar ones for nitrogen oxides - are meant to prompt industry into additional emission cuts to those that would occur through the normal process of plant modernisation.

The Environment Department's plan envisages the electricity industry in England and Wales having to make a range of new investments, principally in installing sulphur scrubbing equipment and in new gas-fired power stations.

It says that all this investment would "be of the order of £6bn over the next decade."

BRITAIN IN BRIEF



Alternative power gets go-ahead

Ministers have given the go-ahead for far fewer renewable energy projects than had been expected, the Government confirmed.

The 12 regional electricity companies in England and Wales were instructed by the Government to take electricity from 75 renewable-energy projects.

Of the 75 schemes, 25 will burn gas from waste dumps to generate electricity; 26 are hydro-electric shemes; 9 nine are wind schemes; 8 eight burn plant material; and 7 seven are waste-burning schemes.

The Department of Energy used powers under the 1989 Electricity Act, which introduced a levy to promote non-fossil-fuel production. Most of the levy, which is currently set at 10.6 per cent of electricity bills, goes to nuclear power, but it is also intended to subsidise renewable energy sources, such as wind and wave power.

Ferry disaster 'inevitable'

The operating system for the Herald of Free Enterprise was so "inherently unsafe," it was only a matter of time before such a tragedy happened, the Central Criminal Court in London heard.

Mr David Jeffreys, QC, for the prosecution, concluded his opening in the manslaughter trial of P&O European Ferries (Dover) Ltd, formerly Townsend Car Ferries, four crewmen and three officials, by saying the dangers would have been obvious to the senior master. The company and seven former employees have denied a charge of manslaughter arising from the Herald's capsize in which 192 people died.

Nuclear reactor shut down

The cause of a fire at the Hinkley Point power station which led to the shutdown of a nuclear reactor was being investigated. The fire was in a giant alternator in conventional plant away from the twin-reactor 'B' station on the Somerset coast, near Bridgwater.

A fitter raised the alarm and control room staff implemented emergency procedures which extinguished the flames and shut down the No 3 reactor. Its "twin" No 4 reactor continues to operate.

A spokesman for Nuclear Electric in Bristol said it would be "some days" before the reactor was in operation again. "There were no injuries."

Security review promised

Mr Peter Brooke, Northern Ireland Secretary, pictured above, promised an urgent review of border security after the murder at the weekend of a policeman kidnapped by the IRA at an illegal road block in South Armagh.

It also emerged that the Northern Ireland Office and senior security commanders are to review their policy of allowing off-duty members of the security forces to cross the border into the Republic of Ireland.

Mr Brooke's comments followed allegations by the Rev Ian Paisley, the Democratic Unionist Leader, that there had been security blunders during and in the aftermath of Saturday night's abduction. The Northern Ireland Secretary said the border watchtower had been manned when the IRA kidnapped PC Lewis Robinson after stopping the prison officers' minibus as they returned from a fishing trip in the Republic.

Saunders may appeal sentence

Solicitors acting for former Guinness chairman Mr Ernest Saunders are expected to announce on Friday whether he is to appeal against his conviction and five-year jail sentence.

A spokesman for Manchester firm Pannone Blackburn said lawyers would visit Mr Saunders, 55, tomorrow at Ford Open Prison in West Sussex, to take final instructions.

Mr Saunders was convicted last month of two charges of conspiracy to defraud, two of theft involving £7.3m and eight of false accounting after a 113-day trial arising out of a share support operation during the £2.7bn takeover battle for the Distillers drinks group in 1986.

Three others were also convicted for their parts in the operation.

BT hits back at critics

British Telecom hit back the Office of Telecommunications, its regulator, for saying that its method calculatng costs was invalid. The company said that the method which Sir Bryan Carsberg, the watchdog's Director General, had criticised earlier this week as "not very good at all" had been insisted upon by Oftel itself.

Sir Bryan responded by saying that he hadn't fored BT into its cost accounting methods but that they had developed them themselves.

Liberals back Gulf policy

Liberal Democrats' support for the present all-party consensus on Britain's stance on the Gulf crisis was given overwhelming endorsement of the party's annual conference at Blackpool.

Welsh councils are warned

Mr David Hunt, the Welsh Secretary issued a stern warning to Welsh councils that unless they kept their spending in check he would act quickly to protect poll-tax payers.

The average poll-tax charge next year should actually be lower at £228, he said, if government calculations are adhered to. The possibility of charge capping, not so far used in Wales, was not stated but was inherent in his warning. This year's average poll tax in Wales is £232 compared with £379 in England. "It is in the best interests of local government and community chargepayers that all local authorities in Wales should budget to keep community charges to the lowest possible level by spending in line with my plans," he said.

David Hunt: protect payers

Bardon Group sale off

The profound weakness afflicting the UK construction sector was further highlighted with the announcement that Bardon Group, the quarrying and building products concern, has been taken off the market by the Tom family which controls 57 per cent of the ordinary shares.

In talks with prospective purchasers, "sufficient value has not been indicated to cause Mr Peter Tom and his associates to want to proceed with a sale," it was announced. The shares fell 46p to close at 120p.

Saigon to open

The musical Miss Saigon is to open on Broadway with British actor Jonathan Pryce in the leading role.

The producer Cameron Mackintosh had earlier cancelled the New York run. But the disagreement between Mr Mackintosh and American Equity, the actors' union, was finally resolved.

UK NEWS

THE UK MOTOR SHOW

Japan plans French car parts plant

By Paul Cheeseright

THE offensive of Japanese motor component manufacturers on the European market yesterday was lifted a further notch when NGK, the spark plug manufacturer, announced it would start production at a new plant in France.

Smaller European components manufacturers have become increasingly apprehensive about the growing involvement of Japanese competitors in their own regional market.

But the gradual opening of the East European market is likely to widen the scope of that market. Indeed, Lucas Automotive, one of the major players in the components industry, signalled its intention of further expansion when it said it had signed a memorandum of understanding with Autobrzdy, the Czechoslovak manufacturer.

NGK hitherto has been expanding its share of the European market with deliveries from Japan. For example, since 1981 it has pushed its share of the UK spark plugs market from six per cent to 30 per cent and it estimated that Champion, the biggest UK manufacturer, had seen its share decline from 65 to 32 per cent.

At its new plant, which will be built at Meung-sur-Loire, near Orleans, NGK will start with production of 1m spark plugs a month. The cost of this first phase of production will be £7.2m.

Mr Jim Hughes, NGK's deputy managing director, predicted that the future of spark plugs manufacturing lies with Champion, Bosch, the German group, and NGK itself.

"Others will fade out or subcontract to the big player," he said. NGK's French production is partly directed at the European plants of Nissan, Toyota and Honda, the Japanese car makers with, or about to have, European plants.

Japanese component manufacturers are slowly following the Japanese carmakers into Europe but Mr Harmen Heyn, the Lucas director of marketing, judged that most will tend to seek out local partners. Lucas has had links with Japanese car manfacturers for many years and has joint component ventures with Sumitomo.

Mr Heyn said that over the next six months studies would be carried out on the future of its relations with Autobrzdy, already a licensee of Lucas products.

The attraction of the Czechoslovak market is that the car-owning population is half that of a western country of comparable size. Local car production by Skoda is around 180,000 units a year but a link with Volkswagen or Renault could lift Skoda output to around 0.5m units by the mid-1990s, Mr Heyn suggested.

Ford to employ Australian engine design

By John Griffiths

FORD expects within six years to be selling small cars powered by a new form of internal combustion engine.

The engine, first developed by the Orbital Engine Company of Australia, is a fuel-injected two-stroke half the size and weight of conventional petrol or diesel units.

Its inventor and company founder, Mr Ralph Sarich, has received Australian Government assistance during the engine's development, which has taken nearly 20 years. Mr Sarich has already concluded agreements with a number of other vehicle makers, including General Motors.

The engine is so small that it offers manufacturers the chance to reduce the frontal area and weight of cars. Both would improve fuel economy – a concern much in evidence at the Birmingham motor show yesterday against the background of sharply increased fuel prices.

Mr Derke Barron, Ford UK's chairman and chief executive, said Ford's development work on the Orbital engine had proved so encouraging that it was now being transferred from the research stage into mainstream engineering. Prototype Orbital engines are to be fitted to small concept cars following the show.

Concern grows over impact of high interest rates on sales and profits

By John Griffiths

THE UK motor show opened its doors to the world's Press yesterday against a background of mounting concern at the increasingly severe impact of high interest rates on the motor industry's sales and profitability.

Several leading manufacturers said that they were revising their sales forecasts downwards for the second or third time since the autumn.

There appears to be growing concern that total sales this year will probably fall to 2m units, compared with a record 2.3m in 1989. This would still be the third highest on record.

But the industry has expanded capacity during five successive years of record sales in the UK and is now offering increasingly large financial incentives to woo reluctant buyers into showrooms.

Vauxhall, Rover, Ford and other leading makers are increasingly concerned that sales will dip further next year in the absence of relief from current high interest rates.

Truck makers have been particularly hard hit, with sales of trucks over 3.5 tonnes down by more than 30 per cent on last year's levels, and some truck companies such as MAN and Leyland DAF predicting that the situation will worsen until at least early 1991.

However, a note of optimism was sounded by Mr Derek Barron, chairman of Ford UK. "A modest reduction in interest and mortgage rates is all it would take to push demand back to last year's record levels," he declared.

Mr Geoffrey Whalen, chairman of Peugeot Talbot, warned that the most serious problem was a more long-term one.

Speaking on a stand surrounded by Japanese manufacturers present on an unprecedented scale, and displaying a daunting array of new models, Mr Whalen said that "the key to the industry's future is not the next few months but whether we can introduce effectively total quality. We're doing a lot better than we were, but it's no use kidding ourselves that the British industry is the best in the world because patently we're not."

Brussels to consider subsidies for Scania trucks

By Paul Cheeseright

THE French Government's bid to obtain European Community approval for the grant of about FFr300m (£30m) in subsidies to Scania for new truck assembly and engine plants will be considered by the Commission in Brussels today.

Scania, the Swedish truck manufacturer, plans an investment of FFr1.7bn, including any subsidies, with spending running through until 1994-95.

Initially, the group wants to produce 6,000 trucks a year at a refurbished factory, once used by International Harvester, in Angers, Val de Loire. It has not yet made a final decision about going ahead with an engine plant.

But the subsidy application has been made at a time when the Commission has spelt out its intention to clamp down on investment subsidies.

A sum of about FFr300m is what could be be paid to Scania under the Community's existing regulations covering the grant of state aids.

Mr Kaj Lindgren, vice-president of Scania, stressed that Scania's intention to invest at Angers had been made purely on commercial considerations.

Car fraud each year at '£450m'

By Richard Donkin

The UK insurance industry is dealing with an estimated £450m of fraudulent motor vehicle claims a year representing 15 per cent of all auto claims, the Association of British Insurers said yesterday.

Mr Alan Greenouff, the ABI's motor, liability and accident manager told a meeting on autocrime at the Bishopsgate Crime Prevention Association in the City of London that many frauds arose from car thefts or false claims on damaged cars.

In one case police from several counties uncovered an organised car theft operation in which stolen vehicles were "ringed" – involving the swapping of car identification numbers from a wreck onto a stolen car. More than £1m of vehicles were involved.

The insurance industry is paying out on a sharply increasing number of theft claims.

He said a working party of the ABI was currently examining possible improvements to the motor insurance group rating system which may include bonus points for manufacturers who fit security items such as deadlocks, alarms and locking wheel nuts or penalty points for those manufactureres who have no security measures.

A further problem, he said, was an estimated 30,000 stolen cars which were removed abroad every year. Some 12 countries would be entering into an international co-operation agreement between insurers for the recovery of stolen vehicles to be signed in Paris next month.

The agreement, arranged through the European Insurance Committee, would create a system for the speedy transfer of information on stolen vehicles throughout Europe.

Motor manufacturers were being urged to help by making vehicle identification numbers, usually hidden in the car, visible in the windscreen so that they could easily be checked.

Jaguar is the only manufacturer to adopt the policy on its UK cars, Mercedes Benz has agreed to do so, and five other manufacturers were looking favourably at the suggestion, said Mr Greenouf.

Wellcome's biotechnology unit to pull out of vaccine production

UK pharmaceutical giant to concentrate on global market

By Clive Cookson

WELLCOME, one of the two UK manufacturers of human vaccines, is to pull out of vaccine production after almost 100 years in the business.

The company employs about 250 people making and developing vaccines in Beckenham, Kent. But Wellcome says the number of redundancies will be less than that.

Some staff will be redeployed on other work, and production will be phased out gradually to enable the Department of Health to find other suppliers for all the vaccines needed for the National Health Service. This could take three years.

"For many of Wellcome's products there are already alternative suppliers," the department said yesterday. "Wellcome has assured the department of its intention to safeguard the supply of vaccines to the UK market during the interim period."

Vaccine development and production has been the largest single activity of the company's Wellcome Biotechnology subsidiary.

It says this will now be disbanded and the remaining activities "re-integrated" into Wellcome's mainstream business.

Dr Trevor Jones, Wellcome's research, development and medical director, said the company decided to phase out vaccines because "they are traditional products which we sell only in the UK; the rest of our market is global."

Wellcome was not making an adequate financial return on vaccine production and would have had to invest heavily in new facilities if it was to remain in the business.

Wellcome makes vaccines against a wide range of diseases including cholera, diphtheria, whooping cough, tetanus, typhoid, measles, mumps, German measles, yellow fever and polio.

The most difficult for the Department of Health to replace will probably be the whooping cough vaccine, because Wellcome is the world's only supplier of the type of "whole cell" vaccine used in the UK.

Vaccine sales amount to about £10m a year – less than 1 per cent of Wellcome's turnover. Even so, they are an important symbol of the company's history. Sir Henry Wellcome, the founder, saw vaccine development as a key part of his business at the end of the 19th century.

Although Wellcome staff with a sense of tradition, such as Dr Jones, feel sad about the decision to phase out vaccines, pharmaceutical analysts are likely to welcome it as a sign that Mr John Robb, who joined Wellcome from Beecham in 1989 and took over as chief executive three months ago, will pursue a tough management style.

"This is the first external sign of John Robb getting his teeth into the business," said Mr James Culverwell of Hoare Govett. "He is interested in getting the margins up and improving profitability. He sees a lot of opportunities in clearing out products which offer little return. From the shareholder's point of view this is very good news."

The other UK vaccine manufacturer is Evans Medical, part of the Medeva pharmaceutical group. Dr John Heap, Evans medical and research director, said his company planned to expand production at its vaccine plant in Speke, Liverpool. "Vaccines are a key to modern preventative medicine," he said.

But most of the gap left in the UK vaccine market by Wellcome's withdrawal is likely to be filled by importers. SmithKline Beecham (with a vaccine plant in Belgium) and Merieux of France are in the strongest position.

Government may miss financial target for debt after poor figures

By Peter Marsh, Economics Staff

THE GOVERNMENT borrowed £762m last month to make up shortfalls on revenue, reinforcing suggestions in the City of London that Britain is unlikely to meet its targets for the financial year on repayment of public-sector debt.

The extent of the borrowing in August was caused by a combination of factors including higher-than-expected spending by central government and problems by local authorities in collecting poll-tax payments.

The August figures, announced yesterday, mean that cumulative government borrowing for the first five months of the financial year is £3.8bn, compared with a net surplus of £0.8bn for the same period in 1989-90.

Mr John Major, the Chancellor of the Exchequer, intends the Government to show a net surplus of receipts over spending for 1990-91 of about £7bn, a similar figure to last year. That would enable Britain to repay some of its national debt.

Expectations in the City are, however, that the Government will show a much smaller surplus for the year, or even run a small deficit. Mr David Smith, an economist at Williams de Broë, a London broker, said the Government had "badly misjudged" its targets.

Mr Peter Spencer, an economist at the London office of Shearson Lehman Hutton, a US bank, said the August figure made "gloomy reading".

Analysts stress that not too much should be read into a single month's figure for public-sector borrowing. This can vary significantly throughout the year depending on the seasonal pattern of factors.

But likely heavy increases in defence spending later in the year – due to Britain's increasing commitment to sending military forces to the Gulf – will push up overall government expenditure.

TECHNOLOGY

Neil Davis on how Japan's proposed minishuttle project will boost the nation's satellite programme

A rendezvous at the space station

Development of a minishuttle vehicle to rendezvous with the US-led Freedom space station is not an easy task on a scant budget. Not even for the Japanese. At the National Space Development Agency of Japan (Nasda), aerospace engineers are not letting a paucity of funding stand in the way of building a minishuttle called Hope (H-II orbiting plane), with a targeted launch date of 1997-98.

Like all of Japan's space projects, Hope is considered to be a learning experience that will nurture domestic technology and lead to further developments.

It is not a very ambitious project, some American space experts contend. However, Hope will give Japanese engineers the means to build a more significant manned space vehicle after 2000.

Hope is expected to weigh about 10 tonnes, and will be boosted into low-earth orbit by Nasda's H-II launch vehicle. However, Nasda is perplexed by problems with the rocket engine which powers the vehicle.

Engineers at the space agency lament that the initial launch of the H-II vehicle has been postponed one year to 1993. Most flights of the H-II will send two-tonne satellites into geostationary orbits, or much larger satellites into low orbits.

Like Hope, the H-II launch vehicle is designed to be a simple system. It has two rather than three stages, to reduce the probability of malfunctions.

Many Nasda engineers would prefer to skip the 10-tonne version of Hope, which would be a mere 11.5 metres in length. Instead they want to get funding for a 20-tonne Hope configuration. Given the difficulties in the H-II project, however, the Ministry of Finance will likely baulk at the idea.

The 20-tonne version of Hope would need an enhanced version of the H-II launcher requiring six rather than two large solid-rocket boosters (SRBs) attached to the core vehicle's first stage.

The larger Hope version would carry at least three times the cargo (or payload) of the 10-tonne Hope's limited one-tonne payload. But the 20-tonne Hope configuration would either necessitate an increase in Nasda's budget from the current Y130bn (£500m) or delays in other projects.

This is one of the reasons why the space activities promotion council of Tokyo's Keidanren (Federation of Economic Organisations) is lobbying the Japanese Government to double the nation's space budget. But the Government, outside of the Space Activities Commission, does not appear to be listening.

A compromise might be a 15-tonne Hope configuration. Nasda engineers say the 10-tonne vehicle appears less cost effective than a larger version.

A typical Hope flight will last four days. The craft will transport supplies to the Japanese Experiment Module (JEM). Like the European Columbus module, JEM will be one of the cylindrical laboratories on the the US-led Freedom space station, expected to be operational around 1999. A pair of orbital manoeuvring system engines and a gas-jet system will give Hope the agility required to rendezvous with the space station.

But Hope will be useless if astronauts need to escape from the space station. It will be smaller than the Hermes shuttle now being developed by the European Space Agency.

"We decided not to develop re-entry and manned space system technologies in the same package," explains Masafumi Miyazawa, director of Nasda's propulsion systems group. Japanese researchers are not changing their risk-averse philosophy when they put their equipment into space. The Challenger shuttle accident is one of the reasons Nasda is proceeding cautiously with an unmanned shuttle before embarking on a piloted craft.

Mitsubishi Heavy Industries, Japan's largest aerospace and defence contractor, is in the running to be designated prime contractor for Hope. Subcontractors will include Kawasaki Heavy Industries and Fuji Heavy Industries. The three main heavy industrial companies have done many feasibility studies on Hope designs. When a final design is selected in the summer of 1991, Nasda will likely commission a pair of orbiters.

Hope is boosted into orbit by the H-II launch vehicle

Electronics companies such as NEC, Mitsubishi Electric and Toshiba are teaming with the Government's Electronic Navigation Research Institute and Nasda to build Hope's avionics package. Those three electronics companies are also the nation's main satellite producers. Moreover, Hitachi, Fujitsu and Mitsubishi Space Software will participate in devising the electronics systems.

Hiroshi Sasaki, an engineer at Nasda's Tsukuba Space Centre, says a series of tests are needed to obtain hands-on technical data and verify Hope's projected aerodynamic characteristics. These tests are meant to keep down the costs of the development project. For example, the proposed Hyflex experiment will boost a one-quarter model of Hope to an altitude of 60 kilometres atop a Japanese TR-X rocket. This gliding experiment will help develop guidance and navigation systems.

In addition to Nasda, the government's National Aerospace Laboratory is also a significant player in Hope design work. Researchers are using the laboratory's wind tunnel for analysis of Hope's hypersonic aerodynamic flow patterns. The Ministry of International Trade and Industry may get involved via its space industry division.

Still to be decided is the landing site for Hope. It will probably be near Nasda's Tanegashima Space Centre in Kagoshima Prefecture. This will make it easy to transport the vehicles back to Tanegashima's recently completed Yoshinobu launch site, where H-II flights will originate. An on-board microwave landing system will guide the orbiter to the runway.

Many questions must be solved before Hope's design is finalised. Toshio Akimoto, an engineer at the space agency's Tsukuba Space Centre, says substantial work is needed on aerodynamic stability of the baseline craft as well as characteristics at hypersonic velocities. Exact design of the vertical-stabilising winglets is yet to be determined. Materials must be perfected to protect the vehicle during re-entry into the atmosphere because surface temperatures will reach 1,700 deg C.

Kawasaki Steel is working on suitable reinforced carbon-carbon heat-protection materials for the nose cone and leading edges of the wings. Such materials must be strong and lightweight. Speciality companies will provide expertise on other materials and assorted systems. This scheme allows Japan to nurture space technologies across a wide spectrum of domestic industries.

Nasda President Masato Yamano notes that after Hope is operational in the late 1990s a manned version will follow.

The National Aerospace Laboratory is already studying the aerodynamics of a 64-metre, 350-tonne spaceplane, according to Koichi Hozumi at the Tokyo-based laboratory. However, the vehicle to follow Hope, whether it takes the form of a shuttle or a single-stage-to-orbit spaceplane, will be much more expensive.

Hope will not elevate the level of global space technology. It will make no major contributions, with the exception of allowing Japan to acquire technology at a low price. Engineers at Nasda maintain that Hope will present an opportunity to build a next-generation Japanese shuttle or spaceplane. They also emphasise that it will give Japan bargaining power to join schemes to develop expensive follow-up vehicles to the US space shuttle or European Hermes.

NCR registers changes in its product range

By Alan Cane

SELF-EFFACING to the point of invisibility, NCR is an unlikely member of the computer industry élite.

Once America's most successful cash register company, it encountered difficulties in committing itself wholeheartedly to the electronic computer business until the mid-1960s. Since then it has captured only a nominal share of the mainframe market (about 4 per cent), the principal source of profits for competitors like International Business Machines and Unisys. It is best known for retail systems and market leadership in automated teller machines.

Yesterday, however, NCR announced that it was revamping its entire product line, hardware and software, in a move which may prove to be a textbook example of how to remain competitive in today's turbulent computer industry.

The essence of the announcement, the most significant in the company's 106-year history, is that the company has committed itself to providing a single family of computers from small machines capable of being used on a laptop to mainframes more powerful than any yet commercially available – all based on standard microprocessor chips from Intel, the leading US semiconductor company.

The System 3000 family comprises seven levels of performance from a laptop running at 7.5 mips (millions of instructions per second) to a "massively parallel" mainframe with an estimated power of 2,800 mips. For the first time, NCR reckons it will have products to compete at every level of power and performance in the computer marketplace. The machines, furthermore, run on standard software. MS/DOS and OS/2 at the personal computer level, Unix for higher powered machines.

The transformation of NCR's product range can only be assessed against the profound changes taking place in the computer industry and the effect they are having on traditional mainframe suppliers.

Computer suppliers conventionally built machines to their own proprietary designs and provided controlling software to match. Their customers were inevitably "locked in" to that design of computer by virtue of their investment in business applications software which would only run on that combination of machine and operating system.

Standard microprocessors from semiconductor manufacturers like Intel and Motorola, however, can match the power of proprietary designs at a fraction of the cost. Coupled with a standard operating system such as Unix, microprocessor-based systems offer customers freedom of choice at a significantly lower cost than proprietary systems.

The result has been that much of the running in the computer industry today is being made by companies such as Sun Microsystems.

NCR, which has a creditable record of technological successes including the first 32-bit microprocessor, was also the first of the mainframe manufacturers to understand the importance of moving to microprocessor-based architectures. By 1979 it had already altered course and implemented systems based entirely on microprocessors.

NCR's new strategy maintains its technological lead over its competitors – it is the first in the industry to base an entire product line from laptops to mainframes on microprocessors – and also marks a new supplier strategy.

Its new range of products will be based entirely on Intel microprocessors rather than those of Motorola, which it has been using in its existing and successful multiuser supermicro systems (the NCR Tower range). There are concerns among analysts, however, that the company will become totally dependent on Intel for the critical microprocessors.

It is common practice in the electronics industry for a company to license its competitors to build its more popular components to ensure continuity of supply. Intel, however, is the sole source of supply for its most powerful microprocessors, the 80/386 and 80/486, which will lie at the heart of the more powerful machines in NCR's range.

NCR is introducing seven levels of performance in the new range – portable, small desktop, large desktop, deskside, tightly coupled multiprocessor and then medium and massively parallel processing.

NCR's involvement in massively parallel processing – where anything from a few to several hundred microprocessors are coupled together to give substantial performance – is a direct result of its involvement with Teradata, a US company with broad experience of parallel designs.

The company has made a number of strategic alliances with other companies to bring the System 3000 to market. These include Intel for microprocessor technology, Unix International for the latest and future versions of the Unix operating system and IBM for microchannel architecture (a design for high powered personal computers). NCR believes microchannel architecture will establish itself as the industry standard.

NCR's competitors in the general-purpose computer market are all moving in the direction of microprocessor-based and Unix systems, but at a slower pace. IBM offers its own version of Unix – Aix – on mainframes, but as the launch of its proprietary system/390 architecture two weeks ago revealed it is still committed to its own design of operating system.

Unisys is still struggling to come to terms with two separate architectures, one from Burroughs, the other from Sperry, while Bull of France is making a virtue of necessity by offering a choice of proprietary designs and open systems. None of this should be taken to mean that NCR is now certain to increase its share of the overall market. The mainframe computer business is mature and market shares change only slowly, the major phenomenon being the inroads Japanese manufacturers are making into IBM's 60 per cent share.

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MANAGEMENT

Re-structuring Hawker Siddeley

In search of an identity

Recession is beginning to impinge on longer-term strategy, reports **Charles Leadbeater**

Sometime during the past year two proposals found their way to Hawker Siddeley's head offices on St James Square, London. The first came from one of the diversified engineering group's US subsidiaries suggesting an acquisition in Europe. The second came from a UK subsidiary, in the same line of business as its North American cousin, suggesting an acquisition in the US. The managers of the two subsidiaries had *not talked* to one another and probably had not met.

That such corporate cross purposes should be possible within one of the UK's leading *engineering* companies is evidence of the lack of strategic direction which plagues Hawker Siddeley. Even its senior executives have to scuttle between two buildings 500 yards *apart*.

Hawker Siddeley started the year under the leadership of Dr Alan Watkins – the new chief executive recruited last year from Lucas Aerospace with a brief *to shake up the* group. Watkins' aim was to bring greater coherence and direction to Hawker Siddeley by strengthening central strategic planning and focussing the group *on those businesses* where it could establish a leading international position.

But that aim is now combining with a second, complicating, factor. For as well as mapping *the reshaping of the* company, senior executives will increasingly have to focus on the short term, because recession is seeping into some of the businesses.

The group's interim results published on Monday showed a 28 per cent fall in pre-tax profits to 66.6m, mainly due to losses of £27.5m at its power contracting division. However, margins are eroding fast in several of the other divisions, particularly those exposed to the construction, consumer goods and automotive sectors. Hawker Siddeley is exposed to economies poised on the edge of recession - the UK, the US and Australia account for the lion's share of its turnover. Only about 7 per cent of its sales comes from other countries, including Continental Europe.

The group's heavier businesses, such as railway equipment manufacturing, power generation and heavy electric motors are holding up, but the deteriorating environment in lighter products will increase pressure on management to accelerate the strategic review in order to yield short term savings.

Watkins is determined not to be rushed. The company has something of an identity crisis. Hawker Siddeley is one of the grand old names of British engineering and proud of its heritage. It is not an industrial conglomerate to compare with BTR. It is smaller and lacks BTR's hard nosed financial management style.

Nor does it have the scale or focus of industrial combines such as Asea Brown Boveri or Siemens. Hawker Siddeley, partly because it has delivered *respectable, if unexciting* financial returns in the 1980s, has managed to escape the pressure for rationalisation which swept through much of the rest of British engineering *in the 1980s*.

It has grown without an overall sense of strategic direction. Managers of the subsidiaries have had the power to plan the development of their businesses. They have made a string of small acquisitions, which have strengthened the individual subsidiaries, but without giving Hawker Siddeley as a group the momentum to compete with the big European engineering combines.

Some analysts believe the company's ill co-ordinated growth has left the management with an impossible task. A damning circular issued last month by Robert Fleming, the stockbroker, argued that: "Hawker Siddeley lacks a basic business in which it has a real competitive advantage." The group might eventually become the target for a break up bid, the circular concluded.

That pessimism is not universal among analysts. But there is increasing pressure on Watkins to rebut the doubters. In November the board will receive the long awaited strategic review. While this could in time lead to some quite radical surgery, Watkins will disappoint those who are hoping for a big bang. He says : "This is not a fire sale, it will take much longer than that."

Instead the review will map out an evolutionary approach to the enormous task of *reshaping the 80 subsidiaries* and tens of factories. The conduct of the review is itself evidence of how easy it is to underestimate the scale of the task.

It started late last year with a test run in the batteries division, which revealed that a rational review of the group's sprawling activities would only be possible once the subsidiaries were reorganised into relatively coherent divisions.

So in April, when many were expecting the results of the review itself, Watkins unveiled a revised corporate structure regrouping the businesses into seven divisions : electric motors, electric power, batteries, instruments and controls, rail, aerospace and a catch all general engineering division.

This was combined with changes at head office, for the group did not have the expertise at the centre which it needed to carry out a strategic review. Several older executives have retired to be replaced by young outsiders responsible for strategic planning and human resource development.


Dr. Alan Watkins: Determined *not to be rushed*

Since April the heads of the seven divisions have been working with managers to draw up plans for their businesses. In tandem a three-person team at headquarters,led by Duncan Lewis, the head of strategic planning, has been developing a central strategy to make sure the divisional plans fit into the group's overall strategy.

Lewis, recruited from British Telecom, where he was architect of its Operation Sovereign restructuring, says of his new employer: "There are many more strengths and weaknesses than I had expected. It is not all a grey, dull engineering group. There are some businesses where we are strong, with good products and management and others where we are not so good."

Lewis's plan is to group Hawker Siddeley's activities into "natural businesses" defined by their product, their technology and the character of their customer base. He believes that the seven divisions and 80 subsidiaries actually amount to about 35 business streams. Thus, rather than focus on the rail division or particular companies within in it, *Lewis's review will target* activities such as signalling manufacturing, braking systems and locomotives. This grouping of the subsidiaries into coherent business streams *where they might use the same* technology, deal with the same sorts of suppliers and customers, should highlight areas where acquisitions or organic growth could yield a strong international position.

For instance, in signalling the company has a strong position in the UK, Spain, the US and Australia. With acquisitions elsewhere in Europe Hawker Siddeley could develop into a leading international rail signalling manufacturer, even if its rail activities as a whole are dwarfed by those of ABB or GEC-Alsthom, the Anlgo-French joint-venture.

Lewis says: "ABB is an enormous company, But very few of its distinct businesses have a turnover of more than £500m. That is the sort of size we can compete with. We are not competing with ABB as a whole, we are competing with those businesses which make it up."

However, *even after* clearing away the undergrowth to expose that potential to the light of day management will have further tough questions to answer. Should the group act as a contractor on power generation projects as well as manufacturing power generation equipment? Should the development of an international aerospace maintenance business serving airlines throughout the world take precedence over its aerospace manufacturing which is confined to Australia ?

Some disposals are already quietly under way. Attention is likely *to focus on businesses* such as the Lister Petter small diesels manufacturer and Crompton Lighting, the commercial lighting company, which are both making losses.

Says Lewis: "In the next nine *months* we will be realising resources to allow us to look at the medium term development of the group."

Watkins does not rule out *some divisions being sold en bloc* and raises the possibility of new ones being formed. "We manufacture in South Africa, Australia and Canada, all economies which are strong producers *of natural resources,*" he says. "It may be that rather than manufacturing in those countries we should be into natural resources."

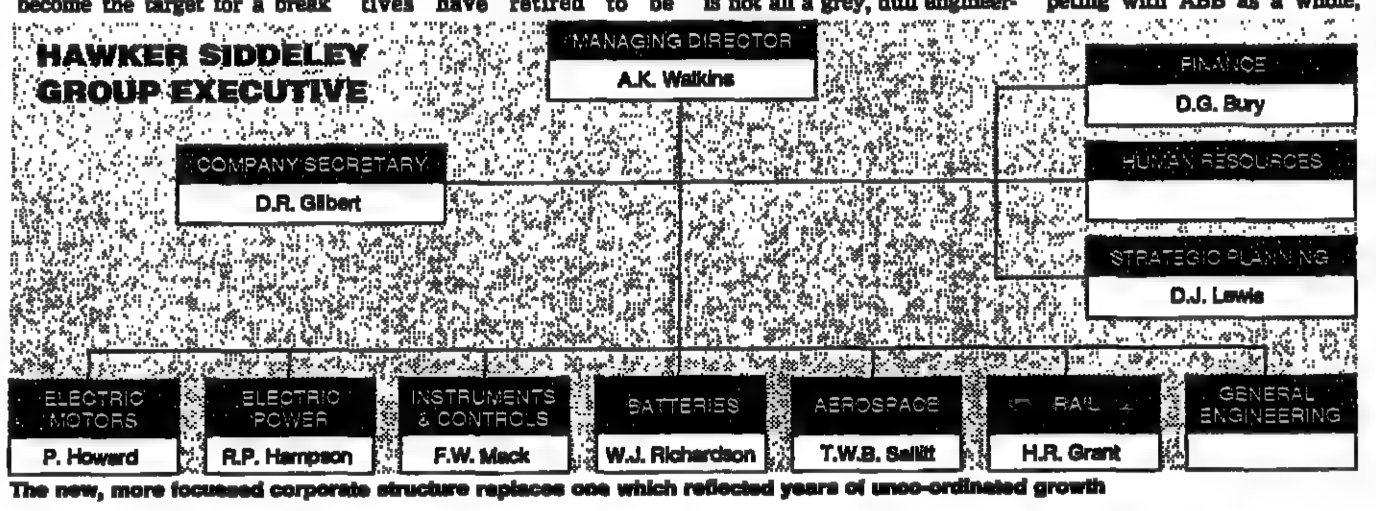
The success of the restructuring is likely to turn on two main issues.

The first is the quality and commitment of management within the divisions. Are managers really ready to give up some of their power *for the* sake of the group as a whole.

According to Lewis managers have responded enthusiastically to the call for rethinking. He is impressed with the quality of the group's operational management. They will retain responsibility for profit and loss, but they will be encouraged to work within a more integrated structure.

Watkins *is less* sure. He says: "My impression is that some are thinking hard and doing quite a lot, some are just thinking and some are not doing very much at all."

The second doubt is much more immediate. The time Hawker Siddeley had to restructure at leisure has gone. From now on its medium-term ambitions will be constantly complicated by the short term pressures of faltering growth. That may be just the shock required to force it to accept surgery though for some of the businesses it might be too late.



The new, more focussed corporate structure replaces one which reflected years of unco-ordinated growth

Costing the risk of buy-outs

Simon Holberton on the premiums being attached to the likelihood of such deals

When Sir James Goldsmith and friends launched their £13.5bn bid for BAT Industries last year there was a lot of talk about "event risk." This was invariably framed in terms of the risk investors were exposed to in the event of a highly leveraged buy-out of some sort.

The losses to existing bond holders caused by a highly-leveraged buy-out are substantial. One study* of 65 successfully completed buy-outs suggests that bond holders, on average, lose 2.5 per cent of bond value from a buy-out. (Those without covenant protection lose 5.4 per cent of the value of their investment; those with weak covenant protection lose 2.8 per cent; but those investors with strong covenant protection gain 2.3 per cent.)

Few, however, have looked at what event risk means for companies, especially those prudently managed companies, which may need to raise capital. Steven Zimmer, an economist at the New York Federal Reserve Bank, has.

In a recent study he finds that event risk has raised the cost of debt finance to US companies. He estimates that US companies will have have to pay $1.33bn a year more than they otherwise would have had to do on their notes and bonds. This is because lenders have increased the risk premium, and hence the interest rate, they charge companies for lending to them.

His working hypothesis is that the threat of a leveraged buy-out has raised the risk premiums on all US corporate debt. "The growth of an active market for corporate control has embedded in bond prices the possibility that firms will either leverage themselves or be leveraged in a change of ownership," he writes.

Moreover the higher risk premiums have placed companies with low levels of leverage at a disadvantage relative to highly geared companies "because they are better candidates for increased debt and because their bondholders face greater potential losses from the increased debt."

Zimmer looked at 47 companies across all industry groups *in the US with the exception of* banking, financial services and certain utilities. All had been trading from at least 1976 and had multiple issues of corporate debt in issue.

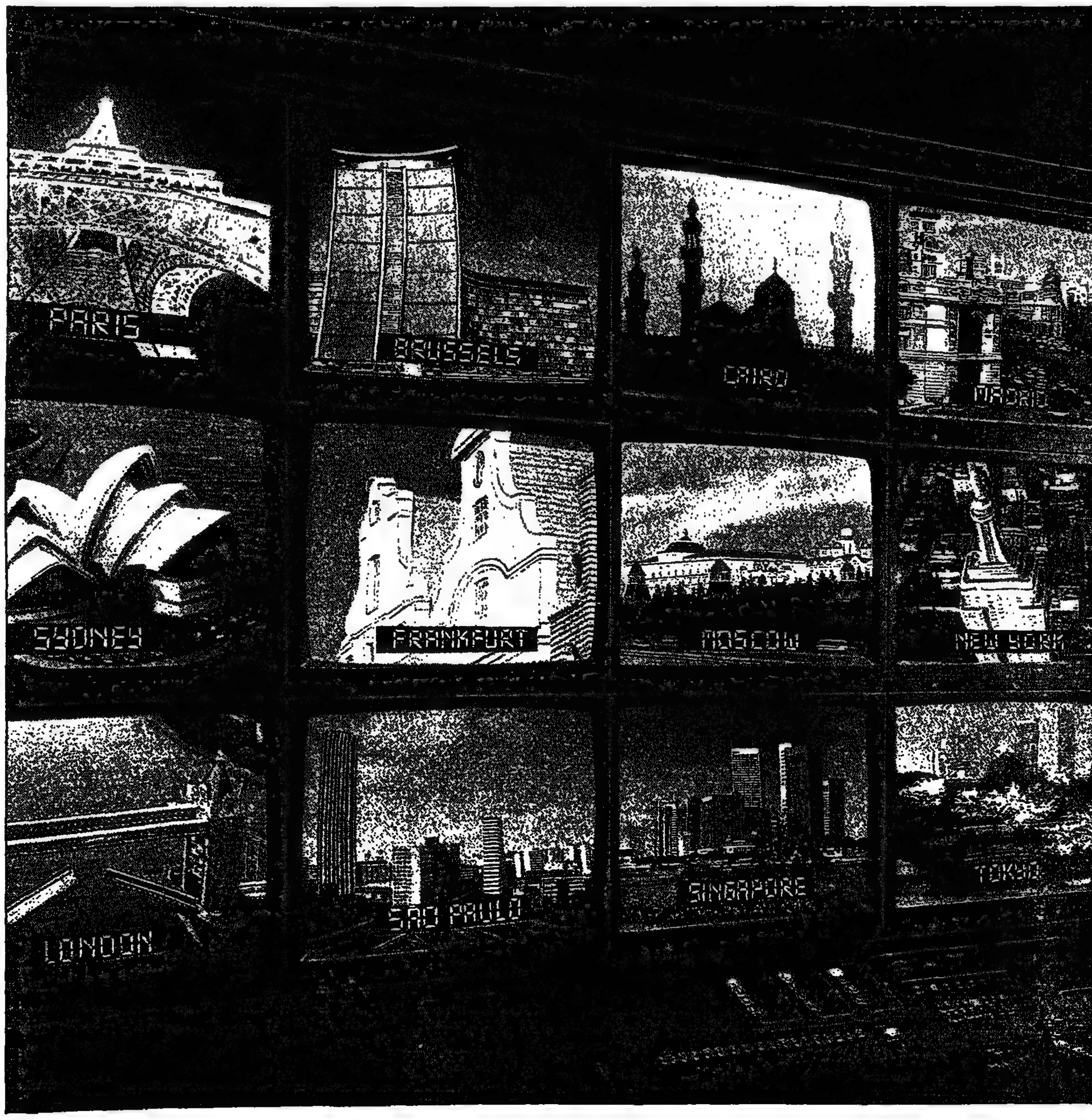
The definition of leverage he used is the market value of a company's debt as a percentage of its total market value. He defines the risk premium as the average of the differences in yield to maturity between a company's publicly traded bonds and "riskless" US Government debt of a comparable maturity.

To sort his sample into those companies which should enjoy a lower risk premium from those that should not, Zimmer looked at the volatility of his sample's cash flow. Cash flow volatility was chosen because the lower the volatility the less the likelihood of default.

Combining the three characteristics – leverage, or gearing, the difference in yield between corporate and Government debt, and cash flow volatility – Zimmer found that between 1980 and 1989 the risk premium on US corporate debt increased by 15 basis points. This amounts to a 1.5 per cent discount on the value *of bonds issued by all* companies and means extra debt servicing costs of $1.33bn on $885bn corporate bonds outstanding at the end of 1988.

The rise in the cost of debt finance may have been balanced by a corresponding fall in the cost of equity finance. But Zimmer says this is ambiguous at best. Consider, he says, the position of a corporate treasurer *of a well-capi*talised company who has watched risk premiums widening through the 1980s. "Would that treasurer be easily persuaded that the measurable costs of event risk risk premia could be offset by the much less tangible benefits of lower equity costs?"

**Referred to in "Event risk premia and bond market incentives for corporate leverage," by Steven A Zimmer, Federal Reserve Bank of New York, Quarterly Review, Spring 1990. FRBNY, 33 Liberty St., New York, NY. 10045. USA.*



TELEVISION

Rehearsal's the thing

Christopher Dunkley at the Prix Italia

Watching the programmes at the annual Prix festival is rather like having a tremendous injection; not the sort that inoculates, but the sort that hooks you and leaves you wanting more. For the producers whose programmes are entered it is, presumably, a matter of prestige. But for those of us who come to sit in the daytime darkness of the viewing rooms (this year in an amazing pink sugar fondant fairy palace called Castello Utveggio, on a mountain top commanding the entire bay of Palermo in Sicily) it is more a question of charging ourselves up: ingesting great quantities of high quality programmes and reinforcing our faith in the medium – those of us who had it in the first place.

Above all the Prix Italia, now in its 42nd year, proves vividly as the decades go by that, however pessimist European intellectuals may become, and however great may be the numbers of soap operas and game shows pouring half noticed from countless millions of television sets around the world, there are still people whose purpose is to make good television programmes; programmes which challenge the imagination and extend the boundaries of the medium.

This year's opening ceremony, in the overpoweringly gilded Sala Gialla of Palermo's beautifully galleried Palazzo dei Normanni, provided an ironic illustration of the paradox which this event encompasses: on the one other hand the tendency of the broadcasters (almost invariably from public service organisations, those being the bodies which created the Prix Italia) to bewail the onrush of the philistines and predict the imminent disappearance of serious European television under a tidal wave of trivia, most of it American.

We heard a speech from Leo Birzoli, vice president of RAI (Italy's state broadcaster which has been fighting back with remarkable success against the exclusively populist policies of Silvio Berlusconi, Italy's own Rupert Murdoch) warning that only 5,000 hours out of the 90,000 broadcast in Italy in 1989 had originated in Europe. What this means, presumably, is that all those daytime hours on Italy's dozens of relatively new channels are filled from the American stockpile, that being the only stockpile from which a new channel *can* fill its time cheaply. Sig Birzoli went on to warn that while a country must open itself to other cultures, it should not allow them to prevail. He also pointed a Cassandra-like finger at the growing links in the mass media between the US and Japan, notably Sony's purchase of Columbia.

It would be absurd to dismiss his anxieties as groundless: clearly television is indeed becoming an increasingly international business. The very programmes shown at this year's festival prove it, many of them being international co-productions. Yet Piergiorgio Branzi, Secretary General of the Prix Italia, announced in this admirably brief speech of welcome that the number of competing programmes was well up on last year – and, as ever, there is not a quiz or a panel game among them, there being no categories for such material. Thus the irony is that even as the chorus of woe from European broadcasters about high quality programmes becoming an endangered species swells in volume, the number of programmes of precisely that description entered for the Prix Italia goes up. Perhaps one day the wolf will arrive, but so far the cries sound a little odd.

Newcomers to festivals of this sort invariably ask old timers the same questions: "What is the standard like this year? How does it compare with other years?" The honest answer is always unwelcome because, whatever over-excited juries may say (juries come and go, and often like to dramatise, declaring with backs of hands to foreheads that nothing this year is worthy of the Prix until eased back into the real world by the secretariat) the fact is that the standard remains remarkably consistent.

That is not to say nothing changes. One of the effects of internationalisation is that producers in one country learn from those in another, it is noticeable in the arts category that whereas the staple material used to be performance programmes – pointing cameras at a performance by an orchestra, a ballet company, an opera group – rehearsal programmes are now becoming more popular.

Naturally there are still plenty of performance programmes around, ranging from an entirely conventional studio staging of *Cavalleria Rusticana* from MTV in Hungary (which suffers from being mimed to playback: when a singer is really performing, visible effort is part of the performance, and smiling in a relaxed manner while hitting a high C looks somewhat ludicrous) to the concert of "world music," *One World, One Voice* produced by ARD in West Germany as the climax to "One World Week" in May this year.

One of television's chief functions is to provide material of this sort – operas, rock concerts, any sort of performance – for those who cannot get to the real thing. However, most people would consider the television version an inferior experience. Rehearsal programmes, on the other hand, provide experiences which most of us would never have at all but for television, and it is not merely a question of being a fly on the wall while the great actress puts on their makeup.

There is an enormous amount to be learned from programmes such as *La Prise de la Bastille* from A2F in France, showing the preparations for *Les Troyens* to open the new Paris opera house; *Riccardo Muti Prova La traviata* from RAI, showing rehearsals for a new production of the opera at La Scala; and *Der Musik Theater Macher Harry Kupfer* which follows preparations for several of the director's works.

'Béjart Impressions' made by Thomas de Norre for RTBF Belgium

We may guess from finished performances what people such as Muti, Kupfer, and Myung Whun Chung, conductor of *Les Troyens*, are attempting to achieve, but in programmes such as these they *tell* us. Not only that, we see precisely how they set about attempting to achieve it. Obviously that on its own is no substitute for watching an actual performance, but watching a performance is a greatly enriched experience after seeing a programme such as these.

That said, neither of the entries which struck me hardest this week can be described as either rehearsal or performance programmes. *Béjart Impressions* made by Thomas de Norre for RTBF Belgium is a conventional television biography using archive material, interviews and performance excerpts to tell the story of one man's life and art: that of choreographer Maurice Béjart.

We see how he was as a young man; thanks to the clips we see how his work used to be and how it has developed. From interviews with colleagues and friends we learn of his character and reputation. For those of us to whom Béjart was little more than a name, the programme is a revelation: here is a choreographer who believes in ballet as theatre, who is as much at home with jazz or rhumba as with Beethoven, who puts male dancers at the centre of his work and exults in the excitement of male dancing, and who scorns the old taboos concerning words and song in ballet. No medium other than television could (and would – cinema could but wouldn't) achieve what this programme manages in 55 minutes.

Precisely the same can be said for different reasons of Zbigniew Rybczynski's virtuoso video programme *The Orchestra*, co-produced by the US's WNET, France's Canal Plus and Japan's NHK, and originated by the Corporation for Public Broadcasting in the US, for showing on America's relatively tiny public broadcasting service. Rybczynski has taken six orchestral lollipops ranging from Albinoni's "Adagio for Strings and Organ" to Ravel's "Bolero" and given them the rock video treatment.

Classical music purists will loathe it. Rybczynski, who fled to the west while the iron curtain was still in place, gives us a pantomime version of the apotheosis of communism; a man scrambles along a series of planks which float in mid air while beautiful women lounge on them in filmy underwear; thanks to modern electronics Adam and Eve float in a crazy sequence of arabesques amid the pillars of Chartres cathedral.

It is utterly vulgar and great fun, and it would be a splendid irony – and certainly not unjustified – if the jury gave it a prize, thus proving that Coca Cola culture is not all bad, and that the people to be most feared in the spread of American cultural imperialism are the Russians.

Ariane and Bluebeard

GRAND THEATRE, LEEDS

Opera North open their 1990-91 season with a new production of Paul Dukas's *Ariane et Barbe-bleue*. The work is a rarity (recently cropping up in Krefeld, Amsterdam, and Geneva, but in Britain given only once previously – at Covent Garden in 1937). It is, more important, one of the operatic masterpieces of our century: those who came to love it via the 1983 Erato recording will surely find that an encounter with this beautiful and musically eloquent staging (given in a new English version by Tom MacIntyre) proves the point more conclusively than even they can have dared to hope.

Ariane, first performed at the Opéra-Comique in 1907, is one of the three bold paths explored by French opera in the wake of Debussy's *Pelléas et Mélisande* – the others were Fauré's *Pénélope*, a noble return to Gluckian Classicism, and Roussel's *Padmavati*, a revival of the exotic French opera-ballet. Superficially, *Ariane* is the most conventional of the three, and the closest to *Pelléas*: a large-scale narrative symphonically structured and lavishly scored in ways that bear the marks of Wagnerian and Debussyan influence.

Alastair Muir

Anne-Marie Owens and Jonathan Best

The blood-ties with *Pelléas* are also asserted by a common librettist – Maurice Maeterlinck – and by the presence of the character Mélisande herself in Dukas's opera (at this stage still one of Bluebeard's imprisoned wives). Yet what *Ariane* in the theatre reveals, far more than on records, is how distinct is Dukas's world of fantasy – how "personal" his signature, how different from Debussy's.

The sources of a text which, unlike *Pelléas*, Maeterlinck wrote expressly for operatic purposes lie in Perrault's fairy tale and, further back, in Greek mythology (should not the heroine's name be translated as Ariadne?). She is Bluebeard's new wife; she opens the forbidden doors in her search for truth and personal freedom. On finding the imprisoned previous wives she offers them their release; they prefer familiar captivity to fearful liberty. At the close she moves on (one feels sure) to the next chapter in her pilgrimage of self-exploration.

Ariane is perhaps the first modern woman in opera. In spite of passages of characteristic Maeterlinckian clutter the dramatic framework for music is simple, the message sharp and "relevant." Dukas clothed it in music of stupendous mastery. The opera's surface is fairy-tale fantasy – made out of dazzling light and ominous dark, woven from Rimsky-like glitter (the cascading sonorities accompanying the unlocking of the treasure-caskets) and Wagnerian grandeur (the male-voice choruses impinging on a predominantly female-voice opera reminiscent of the *Götterdämmerung* vassals) by a fastidiously French orchestrating and harmonising hand.

The drama is underpinned by a magnificently solid three-act structure; the voices well up into melody comparatively seldom, yet the sense of lyricism is always ravishing. Above all, the opera holds firm as a story well told alike in fast- and slow-moving passages. For all the many layers of musico-dramatic meaning stored contained within, the feeling of all-absorbing enchantment was perhaps the most extraordinary feature of Monday's performance.

The greatest strength of Patrick Mason's production in Joe Vanek's superbly elegant and well-proportioned designs is its clear communication of narrative essentials. All too easily one can imagine a Euro-modish De-constructed *Ariane* production in which these got sacrificed; Mr Mason has subjected the text to cool modern scrutiny (the dress is pre-World War I, Bluebeard is evidently a rich industrialist, the peasants are his restless workers) while preserving with absolute directness the flow of the story. The set, a vast two-sided interior, permits both claustrophobic intimacy and, as doors are opened, magical floods of air and light.

In the difficulties of the principal female role, written for a dramatic soprano or high mezzo, lies the main reason for the opera's neglect – it is at once unshowy and horrendously long, and demanding of needlepoint finesse as well as power. Opera North have entrusted it, wisely and well, to Anne-Marie Owens. Expertly dressed, she commands the stage with resources of natural dignity that promise a glorious Wagnerian future; Miss Owens's warm, ample mezzo has never sounded better. With the single reservation that she needs to press still harder on the words, this is a performance of world class.

The other important roles – Nurse (Anne Collins, excellent), five wives (led by Beverly Mills), Bluebeard (his few phrases well delivered by Jonathan Best) – are woven around the heroine's with a delicacy that suggested the production was a labour of love. We did not need the programme-note by Opera North's new music director, Paul Daniel, to tell us that this was a work he had been burning to conduct: every bar proclaims joy in the beauty of the music. Perhaps the first act was driven a little hard; as a whole, Monday's performance, given in a theatre of ideal size, was an example of operatic conducting at its most selfless and inspired.

For those unable to catch this *Ariane* on the Opera North round, the good news is that the production is shared with ENO. It is a triumphant success, one of the most splendid in company history.

Max Loppert

'Simon Boccanegra' in Geneva

It is not only the high standard reached in recent years that makes the Grand Théâtre at Geneva such a pleasant opera house to visit. The rebuilt auditorium, comfortable, a bit modern-vulgar (preferable to the clammy coldness of, say, the Bastille in Paris), is backed by the original public rooms and staircases now restored to their former splendour with the spaciousness of 19th-century municipal theatres proud of their function and not tucked away, as in our cities, in side streets.

The new season at Geneva opened earlier in the month with a new staging of *Simon Boccanegra* produced by Humbert Camerlo, conducted by Richard Armstrong. Judging from the uncertain attempts at applause after individual numbers – not particularly well directed, I thought, though they clearly knew a tenor when they heard one – *Boccanegra* is not familiar fare in this city. So Camerlo was probably right to steer a careful, traditional course, handling the crowd scenes with notable clarity, not uniformly successful with his principals.

There was an unusually firmly drawn, and excellently sung, Amelia Grimaldi from Karita Mattila, supple and sunny in the aria by the sea, confident and commanding in the great Council Chamber ensemble. The sometimes unconvincing pair of villains, Paolo Albani and Pietro the plebeian, were sharply profiled and vividly sung by Carlos Chausson and Egils Silins.

The title role was taken by the Romanian Alexandru Agache, whose exceptionally promising baritone voice, smooth, velvety and lustrous, has already drawn favourable opinions at Covent Garden. Timbre of the highest quality, intonation variable, words attentively formed but not as yet firmly enough projected – the Doge's address to the Council consequently lacked the full urgency. The effect throughout was undramatic – no suggestion at all of the former corsair.

There was another fine young voice in the Fiesco of the Dutch bass, Harry Peeters: controlled, highly musical singing without as yet the touch of steel this angry old man emphatically requires. The reconciliation duet between Boccanegra and Fiesco was a pairing of beautifully drawn vocal lines with no dramatic meaning. To Gabriele Adorno fall some impassioned moments which don't suffice to make the character either admirable or consistent (one has reservations about Genes's future with him as Boccanegra's successor). Bernard Lombardo sang him with a light, high, penetrating tenor with a thread of wine vinegar in the tone not entirely inappropriate to the role.

Except for a roomy Council Chamber the settings by Peter Pabst suggested a limited budget without the compensation of a strong visual imagination. Dreary grey Doric columns looked out of place in medieval Genoa. Why do producers grudge the dying Doge a seat in the final scene? His gradual collapse onto the ground looks awkward as well as unsuitable. And why, why was there so often not light enough to see the singers' features? Verdi needs eye-play and exchange of glances as imperiously as Mozart. How could anyone coming new to this opera have guessed which of the characters in the Prologue was Boccanegra? The opera is sombre indeed, but positively, gloriously sombre, calling for something more than grey gloom in the stage pictures.

A reliable pleasure of the Grand Théâtre is the good sound of the Suisse Romande orchestra. Under Richard Armstrong, who now surely ranks among the leading Verdi conductors of the day, they gave a distinguished reading of one of the composer's most moving and eloquent scores. One passing quiver (from offstage voices) apart, the chorus sustained the generally high musical level.

Ronald Crichton

Soul II Soul

WEMBLEY ARENA

"A happy face and a funkin' bass for a lovin' race." As a philosophy of life it has an attractive simplicity and it has certainly done Jazzie B no harm. He is the leader of an enterprising co-operative which, starting out on the warehouse party scene in the mid 1980s, has developed into one of the most thriving black businesses in the country. On a Saturday night a good proportion of the nation's youth might be jerking around in clubs to a Soul II Soul record being directed by a Soul II Soul DJ with everyone wearing Soul II Soul designed Lycra casual wear.

What makes Jazzie B one of Mrs Thatcher's favourite soul acts is his faith in enterprise culture. His "don't dream it, do it" positive thinking message to black youth is an attractive antidote to whingeing. There he was at Wembley on Monday night, clutching a cane like a kindly but imperious teacher, and telling us all to "join hands and hearts and live together" with the passion of a southern preacher.

There was a moment of danger when, having spent twenty minutes personally introducing the band, the dancers, the singers, his best friend, etc. he expressed a desire to meet all 10,000 of us individually and thank us for buying Soul II Soul. He contented himself with leaping off the stage to boldly ask some dazed fans at the front what they had thought of the show. They liked it.

And why not ? As Jazzie B constantly reminded us "they" said it was impossible to perform live Soul II Soul's music, which had been created in studios by technicians, often DJs like Jazzie, slicing riffs from 1960s hits on to modern melodic hooks and then fitting them tightly over a mesmeric dance beat.

Yet, after a build up as slow as a wet Sunday in Bangor, during which lumpen models displayed the latest Soul II Soul fashions – the winter look seems to be inspired by Soviet factory operatives – a totally satisfying soul extravaganza was unleashed upon the strangely subdued audience. There was nothing on offer visually to open the eyes – raking lights, lasers, dry ice (yawn, yawn) – but Jazzie B has surrounded himself with top calibre musicians (mainly American?), some supple dancers, and four neatly contrasted female singers of whom Victoria Wilson-James, a tall blond Valkyrie with a matching vibrato, stood out.

Remorselessly the pace and the passion was built up as Soul II Soul ground out its hits, the classics of clubbing. "Keep on Movin'" started the bodies twitching in the seat-free arena and as the band worked through "I can see" and " What's the meaning of life" so Wembley became the most energised place in town.

The music is a distinctive form of British black soul, adding quite a lot of Africa to 1970's Philadelphia. It is less degrading than bare acid hip hop; more gentle to the emotions. And you know the lyrics, however inaudible, are spiritually uplifting. Even sex takes second place to self respect.

It's a pity that the only superfluous element is Jazzie B. Apart from a flat vocal intro he confines himself to tedious exhortations to the audience to have a good time, and plugs for Soul II Soul. He has also collected that most irritating accessory to many black bands – the manic sidekick who cavorts around like a demented court jester. But Jazzie B is a piper worth paying for his tunes – club music that hits the spot without frightening the horses.

Antony Thorncroft

ARTS GUIDE

September 14-20

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). James Bolam is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).
Burn This (Lyric) Blistering performances from John Malkovich and Juliet Stevenson in Lanford Wilson's play about the mismatch of opposites (437 3686).
Singer (Barbican). Anthony Sher in Peter Flannery's modern Jacobean tragedy that reflects a darkly comic view of Britain since the Second World War. (638 8891).
Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Alexander into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb. (734 1166/439 3849).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January
Man of the Moment (Globe) Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)
Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the sobriety of which belies its pre-production high jinks. Richard Harris gives a star performance as the nobleman who thinks he is an 11th century king (071 867 1116). Last week.

New York

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Bunraku. The exquisite artistry of Japan's traditional puppet theatre is not to be missed. Performances of the lengthy historical drama, *Oshu Adachigahara (The Adachi Plain in Oshu)* are in two parts, at 11.30am and 4.30pm. The second part can be particularly recommended since it features a tragic death in the snow and is performed by a group of puppeteers led by Living National Treasure Tamao Yoshida. National Theatre (265 7411). Excellent English earphone commentary.
Kabuki. Kabuki-za (541 3131). The highlight of the matinee at 11am is *Ise Ondo (The Dance of Death at Ise)*, based on an actual case of mass murder in the 18th century. The star of the 4.30pm performance is 73 year old Gonjuro, who plays his famous role of a street swaggerer in *Edo Sodachi O Matsuri Sashichi*. Excellent earphone guide in English and English-language programme.
The House of Bernarda Alba. Lorca's tragedy of rural Spanish life is played (in Japanese) by a group of fine Japanese actresses and directed by Nuria Espert. Ginza Saison Theatre (535 0555). Opens Thursday.
Be Here Now. Popular fringe group Daisan Butai in a new show. In Japanese. Bunkamura, Theatre Cocoon (5990 9999).

SALEROOM

The VC group of medals awarded to Private Arthur Procter in 1916 for tending to two wounded comrades in No Man's Land sold for £18,700 at Phillips yesterday. It was bought by Spink on behalf of the Liverpool Museum. Procter came from the city and served in the Liverpool Regiment.

Two other auctions at Phillips gave conflicting signals about the prospects for the new saleroom season which is slowly getting underway. Furniture and works of art did reasonably well, totalling £285,978, with 18 per cent unsold. A bronze statuette by Lord Leighton, "Athlete wrestling with a python," 53 cm high, a reduced version of the life size bronze at Leighton House, sold for £20,900, and among the furniture a pretty 19th century French maple, parquetry crossbanded and gilt metal bonheur de jour (ladies writing table) doubled its estimate at £6,050.

But modern British pictures did less well, bringing in £11,683, but with 56 per cent unsold. This is an omen. Many lots were sent in by dealers trying to raise some cash to meet pressing bills. Such stale stuff found few takers.

Antony Thorncroft

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Revolution from above

THE PEOPLES of the Soviet Union are about to experience their second revolution of this century. Like the first, it will be a response to popular discontent; like the first, it will be born of the bankruptcy of the *ancien régime*; like the first, it will reflect the convictions of a narrow class of intellectuals; and, like the first, it will fail to achieve all its objectives.

The plan put forward by Professor Stanislav Shatalin will not turn the Soviet Union into a fully working market economy within a decade, let alone 500 days. Yet the infrastructure of a market economy might be put in place and the Soviet Union decentralised, without hyperinflation, mass unemployment or civil war. If so, the programme would be a great success. Anything more would be a triumph.

Five years of perestroika have shown that the premise of perestroika was false. Soviet socialism is, indeed, a detour on the road from capitalism back to capitalism. That President Mikhail Gorbachev has come to this conclusion signifies its inevitability. By virtue of his background and position few could have reached it less willingly.

The 500 days in which President Gorbachev and Mr Boris Yeltsin plan to remake the Soviet Union can be taken no more literally than the six days in which God created the universe. The question is whether the programme makes sense.

In many respects it does. Stabilisation is not a completely hopeless task. The average monetary savings of the 80m households who hold deposits in the Savings Bank were only Rbs 4,300 (£4,300 at the official exchange rate) at the beginning of the year, or one and a half times the average annual wage. It is difficult to believe that the Soviet people regard their wealth as excessive.

It is alternative forms of wealth that are needed, this being the one thing that the authorities can readily supply. For example, housing and agricultural land can be sold at low prices. But even very low prices would make big inroads into the excess supply of money. If the overhang were as much as Rbs 300bn and each household paid only Rbs 4,000 to acquire a home, the whole overhang would be removed.

Budget deficit

Elimination of the budget deficit will be more difficult. But the Soviet authorities have had some timely assistance. The economy should enjoy a $15bn windfall from the conversion of Comecon trade from roubles to hard currency. If oil prices were to stay above $25 a barrel, the gain should be another $15bn. With the defeat of the technocratic party headed by the Prime Minister, Mr Nikolai Ryzhkov, long-term investment can be halted, at least until the reform has been implemented.

The Soviet Union also possesses foreign currency and precious metals. All must now be pressed into the service of stabilisation. There is little point in preserving them for the future. If this programme fails, there will be no future. The same goes for foreign borrowing. The Soviets should borrow as much as the markets will lend.

Ambitious plan

The pain of the transition can be alleviated by subsidised and rationed provision of a limited number of consumer goods. But the present plan is both too ambitious and too expensive. Price controls must be limited to the most politically sensitive products. Otherwise it will be impossible to control the budget deficit and hyperinflation will be the certain result.

Stabilisation may be difficult, but the Polish experience suggests that privatisation and the introduction of competition are almost impossible. Lenin and Stalin created the proletariat out of almost nothing. Now a petite bourgeoisie must similarly be created out of nothing.

The growth of the market economy will, above all, be the growth of small businesses, especially those supplying services. Obstacles to their growth will have to be eliminated. In addition, shares in large enterprises can be distributed to the public at large, while existing smaller enterprises and farms should simply be given to those who can work them.

Movement from demand dictated by planners to demand that comes from consumers will entail dislocation. But for a country as large as the Soviet Union trade liberalisation can be postponed until after the reform of ownership. Temporary autarky will reduce the immediate dislocation. Subsequently, the expansion of exports of manufactures should go *pari passu* with trade liberalisation.

The interest of the West in the success of the economic and political decentralisation of the Soviet Union is little less than that of the people of the Soviet Union. Next to what would happen if the Soviet Union were to disintegrate in civil war, massacres and mass movements of peoples, Iraq will prove a side show. If the programme looks feasible, aid should be offered, in the form of standby credits, contingent on specific policy actions. The required sums would be large – not less than $30bn – but the rewards of a peaceful transition to a market economy and a decentralised polity far exceed any conceivable costs.

Here is the one great difference between the revolution now in prospect and the revolution that Lenin wrought. This is the last chance for anything close to a peaceful revolution in the Soviet Union. Nobody needs reminding how huge are the obstacles to success, in the history of the country and the psychology of the people. But, in this case, there is truly no alternative to making the attempt.

Third-party politics

BRITAIN'S Liberal Democrats may stand below 10 per cent in the opinion polls, but they have begun to establish themselves as a serious political entity, a worthy successor to the Liberals and the Social Democrats out of whose messy merger they have sprung. Their performance at their conference in Blackpool this week should go some way towards repairing the damage done to third-party politics by the break-up of the Alliance.

The successor party to a once excessively emotional Liberal movement is growing up: yesterday's vote in favour of a motion supporting the Government's policy in the Gulf, and the concomitant rejection of an amendment that would have tied any military action to a UN vote, is one indication of this. Most importantly of all, the Liberal Democrats are making an intensive effort to clarify the distinctive stance upon which they will base their appeal to voters.

Two areas in which the Liberal Democrats seek to proclaim their unique selling points are education and the environment. The differences with Labour on the former are not of great significance; both recognise the scale of the effort required to reform Britain's schools and universities. As to the environment, the proper stance for the Liberal Democrats is to be the greenest of the three mainstream parties but not as deep green as the party of that name. In embracing a carbon tax they have shown greater courage than either of the two larger parties.

It is, however, on institutional reform that the new party has the most to say. Mr Paddy Ashdown, the party's leader, is a European federalist; this week he has been calling for a start to be made with the establishment of joint European Community defence forces. On this he is at best premature. More to the point, his party has produced the only intellectually sound draft written constitution on offer to the British electorate.

Its essence is that legislative authority should be shared, while executive power should be dispersed. Scotland and Wales would enjoy a degree of self-government; there would be regional assemblies in England. An elected senate, with some room for appointees, would replace the House of Lords. There would be a Supreme Court. The House of Commons would be chosen by the single transferable vote. None of this would seem radical in any continental European country. There is room for debate on each of the proposals. Yet the Labour and Conservative leaders would do well to study the package as a whole. In an improved British polity neither would be entrusted with the powers of an elected dictator.

The Liberal Democrats are trying valiantly to put constitutional reform on the political agenda, but they are unlikely to succeed without a much larger share of the popular vote than is indicated by current polls. The rebuilding of a credible third force is still at a very early stage.

The new German state will face a confusion of objectives and expectations about its role in the world, writes **David Marsh**

Bonn's nervous balancing act

With the merger on October 3 of the divided halves of the nation, Germany is recovering its sovereignty. Now comes the big question: What are the Germans going to do with it? At this time of triumph and turbulence, Germany has to meet challenges spreading well beyond the administrative, economic and psychological problems posed by the sheer mechanics of reunification.

The new German state is facing a confusion of objectives and expectations about its place within a more integrated European Community, and in the world outside. The country will still be called, formally, the Federal Republic of Germany. But it will be increasingly referred to by a name which is both simpler, and more potent: Deutschland.

Both Chancellor Helmut Kohl and Mr Hans-Dietrich Genscher, the Foreign Minister, talk about Germany's new "responsibilities" and dislike the word *Macht* or "power." Yet it is plain that Germany's political profile is increasing. The Soviet suggestion at the weekend that the reunited nation should become a permanent member of the UN Security Council underlines that, whether it likes it or not, Germany is regarded as on the way to the top echelons of world leadership.

Mr Kohl yesterday took a noticeably cautious line on the idea, saying Germany's first priority had to be tackling the "considerable problems" of unification. Memories of the Third Reich mean that it must steer a narrow path. Germany has to live up to the international hopes invested above all in its economic strength. But it also has to tread carefully around the not-yet-dissipated fears that it could ever again over-extend its muscles.

In an increasingly interlocking world, no state can exercise "sovereignty" untrammelled. The Germans have good cause to know that the term needs precise definition. Already back in 1955, Article 1 of the Relations Treaty (*Deutschlandvertrag*) between West Germany and the US, Britain and France, which formally ended post-war occupation, stated solemnly that the Federal Republic was gaining "the full power of a sovereign state *over its internal and external affairs*." In fact – as Bonn's government leaders have only recently started to admit in public – this passage of the treaty was pure fiction.

West Germany has lived with curtailed sovereignty for 35 years, not only in the military field, for instance through the allied rights in Berlin or over East-West German air space, but in shadowy judicial areas affecting matters like the US Government's telephone tapping activities and powers of arrest on German soil.

The treaty on the external aspects of German unity, signed last week in Moscow by foreign ministers of the two German states and the four wartime victors, formally extinguishes the last vestiges of occupation.

Foreign troops on German soil – both the Soviet army (which will remain up to 1994 in East Germany) and the Nato troops in the West – will henceforth be there purely on the basis of contractual treaties to be worked out between Germany and the stationing countries.

Germany well knows that its recovered rights go hand in hand with new obligations. During the past week, some of the demands have come fully to the fore. Germany has faced direct pressure from the Soviet Union for economic aid to accompany the troop withdrawals from East Germany; from the US for support for the military build-up in the Gulf; and from France to quicken plans for European monetary union.

As if this were not enough, Mr Genscher throws in – to back up what he seraphically calls Germany's "policy of the good example" – the need for the new Germany to boost development aid for the Third World, and to extend clean-up measures for the environment.

The German electorate is growing uneasily aware that financing all these objectives, as well as absorbing the costs of unity, will grossly inflate government borrowing next year. Last week, the Government agreed to provide Moscow with a total DM 15bn (£5.06bn) to accompany the Soviet troop withdrawals over the next four years. At the weekend, partly to defuse criticism of Bonn in the US

SOVEREIGNTY

Congress, Mr Kohl put forward a DM 3.3bn contribution towards the Gulf crisis.

These latest payouts help explain why, after months of ruling out tax increases, Mr Kohl's governing Christian Democrats on Monday admitted that they might be necessary after all – after the all-German general elections on December 2. The German Chancellor is putting his full weight behind revising the German constitution early next year to allow Bundeswehr troops to participate in United Nations peace-keeping efforts in zones of tension abroad.

Lifting Germany's self-denying ordinance on Bundeswehr deployment outside the Nato area might seem a rather minimalist response to the need for western solidarity in the Middle East. Particularly in the first few weeks after the Iraqi invasion of Kuwait, the Bonn Government acted as though the Middle East imbroglio was primarily a US problem. Where the Bundeswehr is concerned, however, the forces of post-war German *political moralism – as well as the* need to counter traditional Soviet worries about German fire-power – should not be underestimated.

A senior Foreign Ministry official comments that the future all-German government is bound to be "careful" in sending troops abroad. Because of the legacy of the Second World War, the Bundeswehr is never likely to be deployed in peace-keeping between Israel and Lebanon, or between Hungary and Romania, he says. Referring soulfully to Hitler's accession to power in 1933, he says: "Our experience of electing these criminals has been lucky in a way. We have always had sensible politicians, conscious of the weakness of German history."

The need to restrain Russian anxieties in the military sphere was well documented in Moscow last week. Wednesday's Foreign Ministers' accord on the external aspects of German unity stated that "only peace will emanate from German soil." The German-Soviet co-operation treaty initialled, which was unveiled on Thursday, included a mutual non-aggression pledge which the two countries say they want extended to "all other states."

Mr Genscher takes seriously the Soviet idea of Germany acting as a "bridge" between east and west. He says that "east and west" are now no longer political terms, simply expressions of geography. Germany is clearly regaining its natural interest in seeking in eastern Europe a form of foreign policy independence. It remains to be seen what will be the effects on Nato in coming years.

Germany has to live up to the international hopes invested above all in its economic strength. But it also has to tread carefully around the not-yet-dissipated fears that it could ever again over-extend its muscles

Whatever Germany's eastward leanings, western Europe provides the bulk of the export markets which account for one-third of West German national income. And the future debate on German sovereignty is likely to be concentrated on the question of deepening political and economic integration in the European Community.

Here, Germany has again to balance the desire to realise its full potential with the need not to move too far out of step from its partners. Germany's policy goals obviously do not always overlap with the rest of the Community. Musing recently with Foreign Ministry officials, Mr Genscher commented ironically on the failure of the EC to forge a genuine common foreign policy. If Germany had really pooled its foreign policy with the rest of the Community, he remarked, it would never have achieved unification.

Germany now faces a difficult dilemma within the Community over the path to European monetary union (EMU). In order to persuade its European partners (above all, France) of the desirability of reunification, Germany has had to promise to share sovereignty through building up supranational institutions, in particular, the mooted European central bank. But, just as the external need to pursue this step has never been so evident, internal political factors are requiring the Government to think again.

Signs of backtracking in Bonn in recent weeks on the timetable for monetary union have raised doubts in other EC capitals about the strength of Bonn's well-broadcast commitment to EMU. A common theme of Bonn ministers and officials is that EMU is not popular with the German electorate, as it would ultimately mean substituting an untested European Currency Unit for the hard-won solidity of the D-Mark.

The Finance Ministry, backed by the Bundesbank, is thus making German approval for the next stage of EMU dependent on other EC members agreeing tough conditions on harmonising not only monetary but also budgetary policies. Bonn is also insisting that the European central bank must be in Frankfurt. Mr Lutz Stavenhagen, Minister of State at the Chancellor's Office, who co-ordinates Mr Kohl's policies towards the EC, says that Bonn's insistence on a firm anti-inflation stance does not reflect "the national idiosyncracies of D-Mark fetishists . . . Acceptance (of EMU) stands and falls with the need for the ECU to be as good as the D-Mark."

Mr Stavenhagen declares that general German political support for the EC has not been diminished by reunification. "No one here is saying 'Let's put the EC to one side and have *Deutschland über alles*'." But he maintains that EMU will only succeed if it plays according to German-style rules. Other EC states need "a German training programme" to make them "fit" for the post-1992 single market, Mr Stavenhagen says.

The Foreign Ministry, which is much more pro-EMU than other parts of the Bonn Government, suspects that Mr Theo Waigel, the Finance Minister, is deliberately making criteria for the next stage of EMU so demanding that they will be unattainable for EC states with weaker economies. Mr Genscher is battling to restore momentum to the EMU drive in time for the start of the intergovernmental conference on monetary union at the end of the year. But the question remains whether the Germans, by insisting on the toughest "stability-first" conditions, are not in reality fighting a disguised battle against transferring monetary sovereignty away from the Bundesbank.

Germany's conflict between the internal and external pressures over EMU seems likely to sharpen, especially if calls grow in other countries for easier monetary policies as European economic growth slows down.

Other EC states seem unlikely to accept permanently the Bundesbank's present de facto dominance within the European Monetary System. But any new arrangements watering down the power of the Bundesbank may ultimately prove impossible for the Germans to stomach. Over European money, just as in its policies towards the Soviet Union or over the Gulf crisis, Germany has to strike a balance between the demands of self-interest and partnership. The world is watching to see how it copes.

OBSERVER

Presidents' perks

■ I am relieved that the passionate calls for a fairer society by the Liberal Democrats at Blackpool have not influenced their own accommodation arrangements in the wind-swept resort.

Ian Wrigglesworth, the outgoing party president, has been staying in the large, well-stocked suite traditionally reserved for the holder of that office at the headquarters hotel.

His successor, the youthful Charles Kennedy, might have expected to move in when he formally took the party helm yesterday. Wrigglesworth, however, has adamantly refused to budge, claiming squatter's rights.

Kennedy, meanwhile, is camping out in a "holiday flatlet." He made a determined effort yesterday to shake off his image as a bright, but sometimes flippant, spokesman for his party.

But if his inaugural address on the nature of Liberal Democracy confirmed his talents as a political thinker, his invariably late appearances at a string of conference functions have not helped his reputation for reliability. A spoof issue of Liberal Democrat News included a large white space instead of his column. A poignant note says he promised to fax it directly to the printers.

Old battles

■ The debate on the Gulf crisis brought a rare speech from the floor of the conference from Lord Jenkins of Hillhead. He confessed that he could not remember the last time that he had addressed a meeting from such a humble platform. What he could do, however, was lead the delegates to the numerous bloodstains deposited on the floor of the Empress Ballroom by the vicious factional skirmishes during his days in the Labour party. His advice that the Liberal Democrats should avoid adding to the stains by tearing itself apart over policy towards the Gulf was clearly taken to heart. The conference voted overwhelmingly to support Paddy Ashdown's stance.

Some of Ashdown's colleagues are voicing private resentment at "over-exposure" for the telegenic former marine. Reporters from one satellite station were lamenting that in the first five days of the conference they had been obliged to interview him five times. It was the only way, they complained, that they could get the conference proceedings on air.

Rumpus please

■ So far it has been a sedate gathering, with few of the revolts from the floor which provided the fun at the old Liberal conference.

Its moments of drama have been few and far between. The man from the Guardian managed to set off the alarms in the Winter Gardens just as Mr Ashdown was giving a live interview to Channel Four. Comedian John Cleese, the party's newest recruit, provided his special humour from the platform. And Simon Hughes, the party's environment spokesman, stripped to his underpants so that his clothes could be sold in a fund-raising auction.

There is a suspicion that, unless the debates hot up, the party leadership may to try provoke at least a minor row in a desperate ploy to stop the journalists going home early.

Euro catch?

■ In international banking circles Ernest Stern, a World Bank senior vice-president, is seen as a fine catch by the

"When the electricity sales are over you're to be dismantled."

European Bank for Reconstruction and Development if he agrees to become its first vice-president.

His office said yesterday he has still not accepted the appointment which, it is understood, has been offered him.

Born in Germany, he emigrated to America shortly after the Second World War as a child. He joined the World Bank in 1972 and in short order was promoted to vice-president for South Asia, and then vice-president in charge of operations. For a decade, the day-to-day running of the bank was under his control.

Those who know him say the hard-working and intellectually agile Stern barely tolerates those he deems fools. He made some enemies as well as friends at the bank because of the strength of his personality. In the latest bank reorganisation he was moved to senior vice-president, finance.

Quite apart from being the World Bank's most experienced and most respected executive, Stern was the inventor and chief protagonist of the World Bank's structural adjustment lending. He is seen as eminently qualified to play his pivotal new role in the EBRD.

Planting bulbs

■ One of the more subtle arts of business is to seize an opportunity as it flashes past, and turn it to profit.

The price of oil has doubled since the Kuwait invasion last August, with obvious implications for our future electricity bills. The makers of electric light bulbs might have gone into a sulk fearing that demand for their products would go into decline.

Not a bit of it. Sounding as bright as their products they have started a big push to persuade us all to buy compact fluorescent bulbs. Those devices are much more expensive than conventional bulbs. But they use only about a fifth as much electricity.

At the suggestion of the Lighting Industry Federation, a government/industry working party met for the first time yesterday at the Energy Department to think of ways of making the fluorescent bulbs popular.

Ernest Magog, director of the federation, says it would cost up to £200 to re-equip an average home.

One idea is that the electricity distribution boards should help with credit terms. In some American states the bulbs are being offered free on the welfare system as a way to help the poor cut their bills.

The Swedes want to fit one fluorescent bulb into every home to spread the message that they are cheap to run.

Road signs

■ An insurance company has advised a reader whose car hubcaps were stolen: "Keep a lookout for anyone with a familiar-looking hat, avant-garde dinner plates, or a very heavy Frisbee."

A change of pace to restructuring

Philip Rawstorne on the state of the beer industry as it awaits a Monopolies Commission report

Britain's brewers wait with growing impatience for the Government's verdict on the £366m breweries-for-pubs swap between Grand Metropolitan and Courage – a ruling that will have a vital bearing on the evolution of the industry as a whole.

Since the deal was referred to the Monopolies and Mergers Commission in April, the brewers have been left without any real rules against which to plan their longer-term commercial strategies.

The breweries-for-pubs swap was the first large-scale response to the MMC's report on the industry last year which sought to inject more competition by loosening the grip of the major brewers on the pub retailing sector.

GrandMet, the international food and drinks group, and Courage, owned by Elders, the Australian brewer, believed they had met the letter of the MMC's requirements in their proposals. GrandMet would disengage from its UK brewing operations by selling its four breweries and their related brands – Ruddles, Websters, Watney Mann Truman, and Ushers – to Courage, which in turn would combine its 4,900 pubs with GrandMet's 3,570 in a separately-financed joint-venture to be run by GrandMet.

To comply with ministerial orders and avert criticisms of restricting consumer choice, the two companies signalled their intentions to reduce the pub estate, freeing more pubs from tied beer supplies than they would have been forced to free as independent brewers.

Courage also offered to begin reducing its sole rights to supply the estate's beers after a period of five years.

But the scale of the operation prompted another inquiry by the authorities. They had apparently not expected such an arrangement to flow from their efforts to increase competition in the industry.

Mr Peter Lilley, Secretary for Trade and Industry, who has been considering the MMC's report on the deal for almost a month, now has three options: to veto the proposals, to clear them completely, or to give them qualified clearance.

Whether the consumer would gain in terms of wider choice and lower prices from a veto is arguable. What appears more certain is that such a move would severely inhibit the consolidation of the industry and weaken its competitive stance in the pan-European market after 1992.

"Such a decision would pose real threats for the longer-term viability of the industry," says *Neil Scourse, analyst at Barclays de Zoete Wedd.* "It would rule out the economic concentration which is evident in virtually every other deregulated brewing country."

When the MMC barred the way to a bid from Elders for Scottish & Newcastle, the northern brewer, last year, it argued: "The creation of a second larger group which, together with Bass, would supply more than 40 per cent of the market, would result in reduced competition and increased difficulty of supply for other brewers and distributors."

Bass, the UK's leading brewer, has 23 per cent of the market. Courage, with the acquisition of GrandMet's breweries, would have an 18 per cent share.

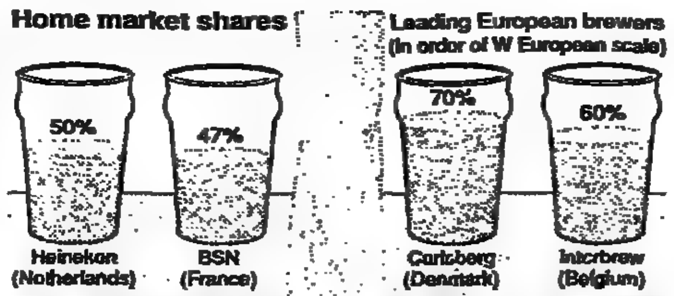
Such constraints do not apply to the leading Continental brewers which have the ability increasingly to supply markets on a pan-European basis – an ability based on a dominant position in their home territory. Carlsberg has 70 per cent of the Danish beer market; Interbrew holds 60 per cent of the Belgian trade; Heineken, more than 50 per cent of the Dutch market; and BSN just under half of French sales.

The economies of scale obtained by these brewers has enabled them to create recognisably European brands. The movement is still small: Heineken, the largest brewer, has only secured 9.4 per cent of the western European market.

Nobody expects the diverse tastes of the European Community's beer drinkers to disappear with the internal trade barriers; but the growth of international brands seems inevitable.

"As the other major brewers of the world – Anheuser-Busch of the US, Kirin of Japan, and Labatt of Canada – outgrow their own markets, they will eventually seek to enter a European market where barriers are coming down, where consumer tastes are exploring non-local opportunities, and where a trend to quality suggests the battlefield will not just be on price," says *John Wakely, analyst at Shearson Lehman Hutton.*

Home market shares | **Leading European brewers** (in order of W European scale)



BEER
Estimated UK market shares

Company	Current	Projected*	Company*
Bass	23%	23%	Bass
Allied	13%	18%	Courage
Whitbread	13%	13%	Allied
Grand Met	12%	13%	Whitbread
S&N	11%	11%	S&N
Courage	9%		
Others	19%	22%	Others

*Assuming full implementation of Courage/Grand Met proposals

Source: Barclays de Zoete Wedd, 1990

For the UK, the trade movements have so far been mainly in one direction because of the shift in taste towards lager. Continental European and US brands, according to BZW estimates, have secured 36 per cent of British lager sales, or 18 per cent of the beer market.

This invasion has been limited by the existence of the UK brewers' tied estates – the vertical integration now being broken down by the MMC – and the need for overseas brewers to negotiate licensing agreements to gain entry into much of the retail market.

For both GrandMet and Courage, a veto would cause acute disappointment and some damage. GrandMet should find it easier to recover. It could still sell its four breweries to separate buyers.

Overseas brewers such as Carlsberg, Labatt, and Molson would, no doubt, be interested. So, too, might Scottish & Newcastle which is eager to expand into southern England, preferably with a lager brand with strong consumer appeal.

The MMC's rejection of a third attempt by Elders to consolidate its position in the UK, however, would pose more serious problems for the Australian brewer. "Courage's position within the UK is relatively weak, and this could lead to a review by Elders, in which the Japanese brewer Asahi now has a stake, of its UK position and perhaps its whole global strategy," says John Spicer, analyst at Kleinwort Benson.

The certain beneficiary of maintaining the status quo would be Bass. Its pre-eminence in the UK industry would be confirmed at a time when the company is making the most of the opportunities arising from the loosening of the tied-estate structure.

It is far from obvious how competition policy would be advanced if new groupings are not allowed to develop on the necessary scale to challenge Bass's market leadership.

Clearance of the GrandMet/Courage deal, on the other hand, would quicken the pace of restructuring.

The creation of a second large player would change the game, says Michelle Proud, analyst at County NatWest WoodMac. The likely outcome would be a series of negotiations among the other brewers as they sought suitable partners with whom they could close the gap on the leaders.

"The major brewers with tied estates would look initially for partners among the few UK-based brewers without tied estates – Guinness and Carlsberg – and the overseas brewers looking to enter the UK. The key criteria would be strong brands, scope for brewery rationalisation to cut costs and complementary distribution into the free trade."

Those unable to find partners could then be forced to face the decision – already taken by Greenall Whitley, the Lancashire-based brewer, and GrandMet – to quit brewing to become specialist retailers.

Such a course would be uncomfortable for many brewers but seems the most likely to produce the genuinely freer beer market that the MMC wants. "There is a basic flaw in wishing to preserve the essential structure of the industry when economic logic points elsewhere," says Scourse.

Yet the general expectation is that the Government will, at most, only give heavily qualified clearance to the deal. It is hard to see what more GrandMet and Courage could do to reassure the MMC about consumer interests – and further demands might result in the abandonment of the proposals.

That, or a deferral of any deal until the MMC's 1992 review of the effect of its recent measures, would be the least desirable decision. It would leave the industry in greater confusion about the rules governing its activity.

"At some point," says Scourse, "the reality of the European playing-field has to be faced. The pressures for change will be very considerably greater in the UK than in most other leading brewing countries.

"Few can believe that, on a long-term view, circumstances will support the existence in the UK of six major operators, let alone approximately 60 other concerns serving regional/local markets."

Constitutional reform

The Liberals must sound their trumpet loudly

By Richard Holme

It is said that fundamental constitutional reform only comes about in the aftermath of a cataclysm such as social upheaval or war.

This is an argument to make any British constitutional reformer blench. He finds himself in the position of Charles Lamb's Chinaman, who believed that the only way to get roast pork was by burning the house down with the pig inside. The prospect of achieving reform through a social breakdown is, to say the least, unappealing as well as being unlikely in a politically stable country such as Britain

And yet, mercifully without catastrophe, there are signs that the issue of reforming the way we govern ourselves is forcing its way gradually but irresistibly on to the public agenda.

Opinion polls have shown a two-to-one, or better, majority for electoral reform, a Bill of Rights and freedom of information for more than a decade. This broad support is particularly apparent among the younger and better educated. But the breadth of the support has not been matched by depth or intensity of support and constitutional reform rarely shows on the list of issues of public concern. Vague approval for an institutional overhaul has lacked a catalyst.

One catalyst may have been provided by the success of the civic revolutionaries of central and eastern Europe. President Vaclav Havel's message of rights and democracy has reached a long way – even as far as this offshore elective dictatorship. It has been refreshing to see that people could be as excited about their civil rights as their personal prosperity, about political as well as about economic freedom.

But the Catch-22 of the British constitution is that it is those with the greatest interest in the status quo, MPs, who have to enact change. The spirit of the times may be changing, but has its heady message reached our MPs?

The Liberal Party, and in the past decade its alliance with the SDP, has been a consistent supporter of a new constitutional settlement. Yet at the 1987 election a curiously muted trumpet was sounded, and no walls fell down. The Liberal Democrats seem unlikely to repeat the mistake of whispering their strongest message.

With the publication of We the People, the Liberals' plan for a reformed and enacted constitution, it is clear that the third party at least intends to campaign hard for reform.

There are also signs of movement in the main parties. The growing support for reform in the Labour Party is gathering force. Charter 88, which has mustered more than 20,000 signatures for a written constitution, is all-party in composition, but there can be no doubt that its main effect has been on Labour. Resolutions on proportional representation have flooded into the Labour conference, and there is reportedly such an even balance of protagonists and opponents on incorporation of the European

There are signs that the issue of reforming the way we govern ourselves is forcing its way gradually but irresistibly on to the public agenda

Convention on Human Rights into UK law that Mr Neil Kinnock may have to arbitrate.

In the Conservative Party, in contrast, interest in the ideas of checks and balances and a delimitation of state power which flowered briefly during the last Labour Government has withered in the Thatcher years. Rights, choice and freedom are supposed to be secured by the market not by shared institutions. Yet in spite of the glacial disapproval of the Prime Minister the ice may be melting. The Institute of Economic Affairs has initiated a discussion paper on constitutional issues which, although careful to avoid the controversial issue of electoral reform, poses a sharp challenge to complacency and will encourage those many individual Conservative peers and MPs who have supported a Bill of Rights.

It is worth also considering the formidable practical pressures which are also now operating for constitutional reform. The first is to be found in Scotland; the second in Europe.

Support is strong across the spectrum in Scotland for a Scottish parliament and at the same time it is likely that the Conservative Party will be virtually eliminated north of the border at the next election.

These two factors operating together represent a constitutional crisis in the making if the Conservatives win a majority at the next election.

The second strong pressure comes from Brussels. Economic and monetary union, it is generally agreed, is unacceptable without political accountability. Yet if union is to proceed, as it will, political institutions of pooled sovereignty will be required.

The British political culture is pitifully bereft of ways of thinking about either the Scottish or European problem. We have only one constitutional model: the secretive, centralised and unitary sovereign state. There is no tradition of shared and balanced power to inform our thinking: whether between nation and locality, government and citizen or between executive, legislature and judiciary.

Ultimately it will take more than politics to overcome institutional inertia in the UK. The connection between our relative economic failure and our inadequate civic culture will have to become as apparent as it did in a more dramatic way in eastern Europe.

Too many British companies are not successful but those which are decentralise decisions, respect their employees, ensure equality of status, arrange participation and promote pride in the job, the product and the company. The comparison with the closed and alienating British political system is stark.

Once the connection between citizenship and success is fully made we shall be on the high road to constitutional reform, and perhaps in parallel to better economic performance.

Lord Holme is chairman of the all-party Constitutional Reform Centre and a former president of the Liberal Party.

LETTERS

Monetary co-operation and the Ecu for tax

From Mr Graham Mather.

Sir, Your editorial comment ("EMU but not yet," September 11) makes a welcome and balanced assessment of the next steps forward in European monetary co-operation. One aspect, in particular, merits more consideration in public discussion than it has yet received: the idea that the hard Ecu may be used for payment of tax.

This idea, first advanced by Professor Geoffrey Wood and Mr John Chown, would mean that companies could use the Ecu as their "functional currency" for calculating tax as an alternative to the national currency. For multinationals it would make sense to do so in countries where the interest rate/inflation rate structure was higher than the EC average.

Two beneficial effects would follow: it would reduce the benefits to tax collectors which result from a high inflation rate and it would spread the use of the Ecu in high inflation countries exerting an anti-inflationary discipline.

The debate on a single currency against the hard Ecu route is changing shape rapidly. This "Ecu for tax" idea is wholly compatible with the search for techniques to secure stable currencies across the EC which are protected as far as possible from politically-induced inflation.

The breathing space ahead of December's inter-governmental conference should help to flesh out these concepts. Debate should extend at the same time to some other aspects of European monetary union (EMU). Concentration on monetary issues has tended to overshadow the economic dimension. There are basic questions here: what would it mean? To what extent does the Delors Commission aim to turn its current programmes on member states' economic policies – which largely consist of reports, exchanges of information and exhortatory messages – into effective central economic policy co-ordination? To what extent is the objective to strengthen fiscal harmonisation – an area where member states have in the past shown strong resistance to Commission initiatives?

Current indications suggest a dramatically stepped-up role for regional policy, with any savings achieved from reduction of other subsidisation policies shifted into an expanded programme of regional grants.

None of these areas has yet received the thorough examination at Community level, or in Britain, which they merit. We must hope that the opportunity for fresh thinking which Mr Pöhl's Munich speech began, and the subsequent meeting of the EC's Economic and Finance Ministers confirmed, will be put to good use.

Graham Mather,
General Director,
The Institute of Economic Affairs,
2 Lord North Street, SW1

More accountable liquidators

From Mr Duncan Heenan.

Sir, With the boom in company liquidations, the conduct of liquidators needs thought despite safeguards in the law.

I have found from bitter experience on committees of inspection in liquidations that liquidators from firms of all sizes treat the committee of inspection as a statutory nuisance. They commonly have no meetings of the committee of inspection after the original liquidation meeting when they "railroad" through motions to deal with all meetings by correspondence and to report only quarterly.

This is contrary to the spirit of the law which envisages the committee of inspection both as a practical help to the liquidator and a control on his conduct. Liquidators are professionals and the committee is usually made up of amateurs, with the usual outcome of such an arrangement. The law does not need change but liquidators must be made more accountable in reality by an active committee of inspection which can flex the considerable muscle the law gives it.

In the ultimate, the liquidator's fees are set by the committee of inspection – a sure sanction indeed.

Duncan Heenan,
Financial Director,
Glostal,
Ashchurch,
Tewkesbury, Gloucestershire

The way to save Europe's chips

From Mr Malcolm G. Penn.

Sir, Your editorial comment ("Chips go down at Philips," September 6) concluded on a chilling prospect: that the European Community might be tempted to respond to Philips's difficulties in its microchip business and the weakness of other parts of the European-owned electronics sector by seeking even higher levels of protection. I agree that this would be disastrous.

There is fortunately a much simpler solution to Europe's microchip business as the big three European-owned integrated circuit (IC) firms, Philips, *Siemens* and *SGS-Thomson*, all wrestle with the realities of globalisation.

The Jessi European semiconductor collaboration initiative is an excellent vehicle to help reduce the research and development catch-up cost and the possibility of Siemens and SGS-Thomson sharing the burden of a new 4 megabit wafer fabrication plant would help both. Such actions, however, barely allow the parties to keep pace, let alone gain ground, in their race for world leadership.

The problem could be resolved overnight. In return for a guaranteed technology and production access, let the EC persuade Philips's Mr Timmer to give his troubled semiconductor business to SGS-Thomson. Better still, persuade Mr Kaske of Siemens to do likewise with Siemens's operations. That way, both corporations would be freed from the mounting operating losses these businesses generate and better able to concentrate on their core businesses.

SGS-Thomson would be a $4bn operation (the three companies' product lines have negligible overlap) and would rank *number three worldwide* – just a whisker behind NECV and Toshiba. The company would instantly be world class and, with only semiconductors to worry about, would have the resources to stay at the forefront to the benefit of all involved, including Europe's total electronics industry.

Malcolm G. Penn,
Chairman/Managing Director,
Future Horizons,
Blakes Green Cottage,
Stone Street,
Seal,
Sevenoaks, Kent

No freeze on these accountants

From Mr J.H. Bowman.

Sir, We dispute Ted Harding's assessment of competitive restrictions in the accountancy profession (Letters, September 10). He certainly paints a false picture as far as Price Waterhouse is concerned.

Restrictions imposed by international networks and differing practice rights and qualifications in the European Community are not the issue. The only real constraint on the ability of accountants to operate across national boundaries is the difficulty of doing business in a foreign language and in an alien culture. This can be overcome by firms which have a real commitment to integrating their international operations, and such integration is essential if accountants are to continue to provide valuable service to their clients in an increasingly international business environment.

Price Waterhouse international operations are fully integrated in Europe and we are extending the integration of our European operations with those of Price Waterhouse firms in the rest of the world. Far from imposing restrictions on who may practise in each territory, we actively encourage our people to work wherever our clients need them. We make it possible for them to do this by providing language courses and exchange programmes.

Partners and staff of many nationalities will be found in our UK offices or working with our UK clients. Equally, there are probably British partners and staff working in every one of the 26 European countries in which we have offices. Far from being "frozen unnaturally within their national borders," the Price Waterhouse firms are engaged in truly international business.

The removal of restrictions on practice rights in the EC will make international business easier. In the meantime, it is up to the accountancy firms to make their own operations as international as those of their clients. The last thing we need is a new set of external regulations to make us all the same; that really would restrict client choice.

J.H. Bowman,
Chairman,
Price Waterhouse Europe,
Southwark Towers,
32 London Bridge Street, SE1

FINANCIAL TIMES
Wednesday September 19 1990

US seizes key Iraqi-controlled company

By Alan Friedman in New York and Victor Mallet and Richard Donkin in London

THE US Government has seized control of Matrix Churchill Corp, a key part of the Iraqi-controlled network of companies which arranged exports from the West to Baghdad's military industries before the Iraqi invasion of Kuwait.

In London, meanwhile, British government officials confirmed yesterday that Iraqi businessmen involved in the procurement of sensitive equipment for Iraq were among the 31 Iraqis ordered out of Britain on Monday.

The Home Office confirmed that one of those told to leave was Mr Anees Mansour Wadi, an engineer and director of four UK-registered companies linked to the Iraqi-controlled TMG Engineering group. TMG is the parent of Matrix Churchill Corp of the US and machine-tool maker Matrix Churchill of the UK.

Matrix Churchill of the UK was the first company discovered last year to have been a recipient of some of the \$3bn of improper letters of credit and loans made to the central bank of Iraq and Western exporters by the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL), the Italian state bank.

US officials yesterday said they discovered that Matrix of the US, based in Solon, Ohio, was part of an Iraqi procurement network that sought to obtain for export a range of high technology industrial equipment used to bolster Iraq's ballistic missile and non-conventional weapons arsenal.

An official at the Office of Strategic Investigations, part of the US Treasury's Customs service, said yesterday that a blocking order was issued last Friday to freeze the bank accounts of the Ohio company.

He said Customs and FBI agents on Monday joined members of the Treasury's Office of Foreign Assets Control in Ohio to execute the order.

"We went in and changed the locks on the doors and blocked the use of assets and equipment," the Customs official explained, adding that the company could therefore no longer operate. He confirmed that the Ohio company is Iraqi-owned.

Iraqi government assets in the UK have already been frozen. The British government hopes that the international sanctions on Iraq will increase pressure on the Iraqis to dismantle their procurement network in Britain, possibly through buy-outs by British managers. British staff at Matrix Churchill have been attempting to arrange such a buy-out for six months.

Matrix UK said last night that neither its assets nor those of its parent company, TMG, have been frozen.

Western intelligence sources say as much as \$1bn of the BNL money went to fund the purchase by Iraq of a range of equipment and technology needed for Baghdad's nuclear and chemical weapons and missile development programmes.

In Washington, an official said Matrix Churchill Corp "was brokering a whole host of things for the Iraqis, including the attempted purchase of entire turnkey factories, of fibre optics needed for their missile development sites and more."

The US has already frozen Iraqi government funds on deposit in the US.

US officials ignored objections, and BNL claims to be more confident on Iraqi debt, Page 2

Western European Union calls for air embargo

By Ian Davidson in Paris

EUROPEAN governments have agreed to press for a tightening of the United Nations embargo against Iraq, including the implementation of an air embargo, and have jointly endorsed the strengthening of the deployment of European military forces in the Gulf region.

The agreements were reached at an emergency meeting of the nine-nation Western European Union (WEU) defence grouping in Paris, called by France over the weekend, in response to the intrusion by Iraqi forces last Friday into the French ambassador's residence in Kuwait.

The communique issued after the meeting of foreign and defence ministers implied that the WEU governemnts had already agreed to press ahead with an air embargo of Iraq. It said that they had "decided, as far as they are concerned, to take all further measures necessary for the full and effective enforcement of the embargo, with particular attention to air traffic, and called upon the [UN] Security Council to adopt the appropriate decisions to this end."

But comments by senior officials afterwards suggested that European governments would wait for the passage of an appropriate enabling resolution in the UN Security Council, now under negotiation in New York.

Mr Douglas Hurd, British Foreign Secretary, said afterwards: "All the governments hope that the Security Council will in the next day or so pass a resolution which makes sure the embargo is fully respected in the air as well as at sea."

Mr Hurd described the current phase as a "second wave" of European deployments to the Gulf region, following last week's decisions by Britain and France to send ground troops, and yesterday's provisional offer by the Dutch government to send up to 18 F-16 combat aircraft to Turkey.

Mr Tom King, British Defence Minister, suggested that countries which could not deploy self-standing ground forces might send specialist units which could work alongside British or French ground forces.

EC anxious about effect on trade of Gulf crisis

By John Wyles in Rome

EUROPEAN Community trade ministers declared yesterday that the Gulf crisis must not be allowed to strengthen protectionist attitudes in the Uruguay Round trade negotiations.

At their informal meeting in a former royal hunting lodge outside Rome, there appeared to be some concern that US criticisms, especially in Congress, of Europe's contribution to the military buildup in the Gulf might lead to a sharpening of the clash between Washington and the EC on trade liberalisation issues.

In a statement afterwards, Mr Renato Ruggiero, the Italian foreign trade minister who will coordinate the EC position at December's final Uruguay Round negotiations, stressed that the response to the Gulf crisis must be "one of greater liberalisation of world trade."

Mr Ruggiero said that the 96 countries participating in the trade talks were "obliged to succeed" in December or the story would be one of "Europe split from the US and the North divided from the South."

The Italian minister highlighted the need for a more conciliatory negotiating position from the US and Japan on textiles. The EC's objective, he said, was "the clear and secure liberalisation of world trade in textiles." And the Community was asking its industrialised partners to improve their "insufficient offers" on the textiles sector.

This request was linked to a broad appeal to the US and Japan "to assume their responsibilities" in delivering benefits from the Uruguay Round to developing countries which are suffering the impact of rising oil prices.

Mr Frans Andriessen, the European Commissioner responsible for the trade negotiations, acknowledged that there had not been much closing of the gap between the US and Europe on key issues in recent weeks.

He did, however, believe that the US and Canada had shown some signs recently of softening their view that textile liberalisation should be achieved on the basis of a global quota rather than by the gradual dismantling of the Multi Fibre Arrangement restrictions, which the EC favours.

He viewed as "a positive element in the negotiations" yesterday's statement in Geneva by Mrs Carla Hills, the US Special Trade Representative, which suggested that Washington was no longer seeking the complete abolition of the EC's agricultural export subsidies.

However, the agricultural issue was not discussed yesterday since Ministers are awaiting the outcome of the European Commission's meeting today which must decide on cuts in subsidies.

Threat to Gatt, Page 3; Farm support cuts, Page 4

Administration to close 128 military bases

By David White, Defence Correspondent, in London

THE US is to close 128 overseas military bases in what the Defence Department yesterday described as the biggest such move since the Second World War.

Operations at 23 other bases will also be cut.

Mr Richard Cheney, US Defence Secretary, said the cuts were in response to a reduced Soviet threat and pressure on the US military budget.

The cuts mainly affect West Germany, where 95 facilities are scheduled for closure. The US currently has more than 220 large bases and almost 250,000 troops in the country.

US operations will be closed at three UK sites: a maintenance depot at RAF Kemble in Gloucestershire, western Britain; a standby air base in Norfolk and a communications site in Suffolk, both in eastern Britain. The latter two facilities are scheduled for closure in 1995.

The measures follow 14 overseas base closures announced in January. Those included Greenham Common in Berkshire, famous as the site of protests against US nuclear cruise missiles, and the Fairford air base in Gloucestershire.

The new list of closures includes nine bases in South Korea and one in Japan. Other countries affected by the plans are Italy, Greece, Spain, Canada, Australia and Bermuda.

The announcement follows a statement last week by Mr James Baker, the US Secretary of State, that understandings between Washington and Moscow on their future troop levels at foreign bases in Europe had been "overtaken by events." The two countries had agreed on limits of 195,000 each in the central region, with the US retaining 30,000 more in other countries.

The remark was seen as presaging much deeper cuts in the current US force of more than 300,000 army and air force personnel.

The US has meanwhile confirmed its readiness to phase out its bases in the Philippines, where it has 16,000 personnel. Mr Richard Armitage, US special negotiator, said in Manila: "The days of a very large presence of US sailors and airmen in the Philippines are coming to an end."

The US air base at Torrejon de Ardoz near Madrid, the subject of a bitter wrangle with the Spanish Government in the 1980s, is among those set for closure. The 72 F-16 fighters of the 401st Tactical Fighter Wing stationed there were in any event due to leave next year.

The Pentagon has been trying to obtain congressional approval for stationing them at a new base in Italy. One of the three squadrons is currently in the Gulf.

US ready for Philippines pull-out, Page 6

EUROPEAN MONETARY UNION

Kohl, Mitterrand divided on pace

By David Marsh in Munich

FRANCE and West Germany yesterday attempted to patch up differences over the pace of European monetary union by agreeing to aim for Europe-wide ratification of a new currency system by the end of 1992. But this stopped well short of a firm commitment on a date for moving into the planned second stage of European Monetary Union.

Yesterday's accord at the regular biannual Franco-German summit in Munich still left "important details" to be settled, Chancellor Helmut Kohl admitted after talks with President François Mitterrand.

At what was the last such meeting before German unity on October 3, Mr Mitterrand sent a ripple through future German defence plans when he reaffirmed his target of gradually withdrawing his country's 50,000 troops in West Germany.

At a joint news conference with Mr Kohl, the President said yesterday there was "no urgency" about this. He had been "moved" by the number of local mayors from towns in south-west Germany playing host to the soldiers who spoke out for the troops to stay, he added.

Although his statement added little to assertions made during the summer, Mr Mitterrand has dashed hopes in the German Defence Ministry that the French contingents would have a semi-permanent presence in a unified Germany.

On the question of monetary union, French officials in Munich showed irritation and surprise that Germany appeared to be backing away from a firm timetable towards setting up a European central bank and a common currency later in the 1990s. Mr Theo Waigel, the Bonn Finance Minister, was in the vanguard of a majority of EC finance ministers meeting in Rome 10 days ago when he came out against a firm date for the so-called phase two of monetary union.

Mr Waigel, who was yesterday in Munich along with a bevy of other ministers for the government consultations, defended himself against charges that he was trying to slow monetary union.

Mr Karl Otto Pöhl, the Bundesbank president, who was in Rome with Mr Waigel, is due to spell out in Frankfurt today the central bank's objections to pressing ahead too rapidly towards monetary union.

Mr Kohl is trying to take up the middle ground between Mr Waigel and Mr Hans-Dietrich Genscher, the Foreign Minister, who favours setting January 1, 1992 as the date for the next phase of EMU. But at the news conference, Mr Kohl pointedly put the onus on achieving "political union."

He said that economic and monetary union was a necessary condition for this. But Bonn is stressing that more detailed talks with Paris will be necessary to work out anything approaching a common position before the inter-governmental conference on EMU starts in Rome in mid-December.

Thatcher woos Czech hearts and minds

By Ivo Dawnay in Prague

MRS Margaret Thatcher, Britain's Prime Minister, yesterday appealed to newly democratic Czechoslovakia to join the UK's crusade against the "bureaucratic impasse" and back her vision of an enlarged European Community of diverse nation states.

Her 30-minute address to the federal assembly in Prague came in stark contrast to that only one week earlier from President François Mitterrand of France, and was reportedly more popular. Mr Mitterrand, after all, had offered only a new confederation of European states linked to, but not fully integrated with, an EC further consolidated by political and monetary union.

The outbreak of barely disguised Anglo-French diplomatic hostilities on the plains of Bohemia has caused a good deal of amusement to the Czechoslovaks, who are unused to having their hearts and minds wooed by anyone, let alone the old rivals from the west.

Analysts have scrutinised the details of the two visits in an effort to gauge which leader has scored the most points. Mr Mitterrand clearly won widespread approval for bringing 250 businessmen in his entourage. Mrs Thatcher's carefulness with Britain's public purse (so far just £2.25m [\$4.2m] in "know how" consultancy aid) was also poorly received.

But yesterday the British Prime Minister countered by deploying the spirit of Winston Churchill, the Battle of Britain and Magna Carta, and a rapid apology for appeasement, to win friends and influence.

Summoning up past ghosts as potential phantoms, she intimated that the Brussels bureaucracy was not much more attractive than the Communist yoke the Czechoslovaks had recently thrown off.

After repeating her belief in an enlarged Community embracing the new eastern democracies, she went on: "No one can travel in eastern Europe without experiencing the desire to get away from bureaucracy and central control and the strength of national feeling."

Warming to her theme, she attributed Europe's past triumph to the growth of the small nation state in contrast to the "dead hand of uniformity imposed by the imperial bureaucracies of the Moghuls and the Ottomans."

"So let us preserve our diversity," she said. "Let us be united, not by building new bureaucratic empires, but by our attachment to democracy and the rule of law."

Nor was she shy of a direct dig at the French presidency. Mr Mitterrand had spoken to the assembly for a full hour and a half. Consequently, the Prime Minister made a virtue of her brevity. "Mr Chairman," she said, to laughter and applause, "I could go on. But as a parliamentarian I know very well the virtue of short speeches."

Mrs Thatcher concluded her speech with a presentation of a facsimile of the Magna Carta, scoring an overall total of two short standing ovations and ten 10 bursts of applause. (Figures for Mr Mitterrand's speech were not available last night.)

Clearly, Mr Alexander Dubcek, the Czechoslovak leader, was seduced by Mrs Thatcher's diplomatic sweet talk. "To us," he said, "you are no longer the Iron Lady, you are the Kind Lady – our dear Mrs Thatcher."

Such saccharine sentiments were soon diffused as the prime ministerial motorcade swept off for an informal drink with chain-smoking President Vaclav Havel in a nearby bar.

On her way to the airport, Mrs Thatcher stopped briefly to rename a square after Winston Churchill – a gesture somewhat spoiled by the news that President De Gaulle Square had been inaugurated a week before. "It is a less significant square." British diplomats assured correspondents.

The British delegation moved on to Hungary well satisfied with its leader's counter-attack against the Gallic charm offensive. But the war is not yet won. Mr Jacques Delors, French president of the European Commission, arrives tomorrow.

WORLDWIDE WEATHER

THE LEX COLUMN

A crude question for the markets

Now that the FT-SE 100 has broken below its year's low and the FT-A Allshare index is teetering just above the 1000 level, the equity market is staring into a nasty chasm. In more normal times a market yield of 5.6 per cent would provide considerable comfort. But for the moment the market seems more concerned about Tokyo and Wall Street.

Oil

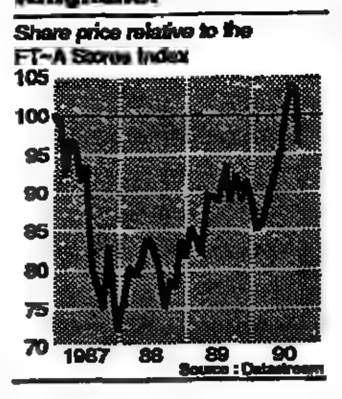
Another day, another upward spurt in the oil price. The market may not see Brent crude at \$40 per barrel this week or next. But the strength of the rise in the last seven days, culminating in another 2 per cent yesterday, suggests that with winter approaching, some panicky stock-building beginning and refinery capacity getting tighter, the \$40 threshold may not be far off. The key issue, though, seems to be whether at the moment the oil traders are simply reflecting an emotional conviction that all-out war is inevitable in the Gulf. Alternatively, it may be that the market has not made up its mind, and is moving in line with the supply and demand fundamentals, which are going to keep the oil price comfortably above \$30 in the short-term whether there is war or not.

The likelihood is that the latter applies. A glib way of putting this is to say that if the market really believed war was inescapable, the oil price would be well through \$50, never mind \$40. The more subtle historical argument is that in the last comparable scenario, the sudden disappearance from world markets of Iranian oil production in 1978-79, oil prices doubled even in the absence of war, and with stocks at higher levels than today.

Kingfisher

Kingfisher

Share price relative to the FT-A Stores Index



It has never been easy to swallow the idea that the UK's largest do-it-yourself retailer could come unscathed through a deep recession in the housing market. Nor is it inconceivable, even now, that Kingfisher's B&Q chain could take a dive in the second half of the year, such is the delicate state of consumer confidence. But so far, the evidence is that Kingfisher is doing the trick. In the first six months of 1990 at any rate, B&Q was still forging ahead, with market share up 1 percentage point, and no discernible margin squeeze; Woolworths has its sales per employee up 15 per cent, in a difficult year; and Comet has lifted its top-line by a tenth. Somebody else in the High Street or the out-of-town retail park must be hurting badly.

Not that everything was what it seemed in yesterday's interim taxable profits of £66m. If Woolworths had not shed so many employees, Kingfisher would not have a £125m pension fund surplus, and therefore B&Q's first half operating profits would have been £1m-£2m lower in the six months to August 4. And the group's reported interest charge, of £14.7m, was flattered by the inclusion of another £7m in the cost of new property developments. Kingfisher still has average debt throughout the year of £400m, inspite of the working capital efficiencies from point-of-sale technology.

Yet as yesterday's 4 per cent rise in the shares demonstrates, the market was in no mood for picking holes. This is not going to be typical of its attitude towards other retailers which have dabbled deeply in property.

ADT

At a time when the shares of many other bull market stocks are languishing well below their post 1987-crash lows, ADT still seems able to withstand the pull of gravity. Yesterday's interim results help explain why. To call ADT recession-proof is overstating the case, but it does appear to have a couple of recession-resistant core businesses which are doing rather well in the current grim corporate climate. It is continuing to increase its margins so that a 15 per cent rise in sales translates into a 35 per cent rise in pre-interest operating income. It has a reasonably strong balance sheet and the dividend has been raised by 15 per cent.

There is scope for further rationalisation to offset the weakness on the commercial side of the traditional ADT security businesses, and residential demand remains surprisingly strong in its all-important North American market. Meanwhile, the car auction side really does seem to be counter-cylical, although it is not clear how it would stand up to a further sustained rise in oil prices.

Against this background there is no obvious reason why the double digit growth rate of the group's core businesses should not continue, and on a prospective multiple of less than nine times earnings ADT shares look cheap. But the problem, as always, is the market's suspicions about Mr Michael Ashcroft's long-term intentions. The perennial concerns about his ability to make a decent return by punting the equivalent of a fifth of the group's market capitalisation on the UK stock market, become even more acute in the current bearish climate. But the biggest imponderable remains the stability of ADT's long-term relationship with Laidlaw, its biggest shareholder. This holds the key to whether or not ADT is cheap at current values.

Taylor Woodrow

When a conservative company like Taylor Woodrow breaks 29 years of uninterrupted profits growth, then times must really be hard in the UK construction sector. It is still difficult to believe the industry's claims that things are worse than in the mid-1970s. Admittedly interest rates have been very high for a long time, commercial property prices are in a tail spin and the UK housing market is bombed out. Nevertheless, there is a danger that the Government will be panicked into a hasty cut in interest rates just to mollify its corporate supporters, like Taylor Woodrow.

The 12 per cent drop in Taylor Woodrow's interim pre-tax profits, to £38m, is just the beginning. The group will be lucky to make £90m for the full year and it will probably be 1992 before it gets back to last year's profits. Taylor Woodrow is not over-exposed to UK house building, but it is much more of a property company than it used to be, hence its squeals about interest rates. In the past it could rely on a strong overseas contracting side to bail it out, but this is no longer so easy, in the absence of an unexpected boom in eastern European infrastructure projects.

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INSIDE

BSN disappoints with 7% rise

BSN, the leading French foods group, may have reported a 7 per cent rise in first half profits, but analysts were disappointed. They had expected that BSN would have fully recovered from the heavy costs of acquiring the Nabisco biscuit division. BSN, however, said the results were in line with forecasts. Page 20

Rays of sunshine in rainy season

The rainy season brings more than just a bumper crop to the coffee growers of Central America. The ending of the war in Nicaragua; peace talks in El Salvador and Guatemala; more liberal marketing and fiscal policies; and the collapse of the International Coffee Agreement have helped to transform the previously gloomy outlook. Tim Coone reports. Page 29

Reshaping computer images

The French Government has tried all the options "but there is no longer any choice," according to Industry Minister Roger Faroux. Groupe Bull, the troubled state-owned computer maker, is to seek a European alliance, reports William Dawkins, Page 20. Meanwhile, Amdahl, the leading manufacturer of IBM-compatible mainframe computers, has introduced a new range which it claims outperform IBM's most powerful models. Page 22

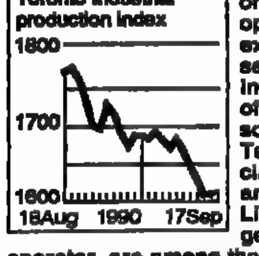
LWT turns in £9m profit

LWT (Holdings), the parent company of London Weekend Television, was distinctly upbeat yesterday as it announced pre-tax profits of £9.1m ($17m) for the first six months. "We significantly outperformed the five other largest ITV companies," said Christopher Bland, the LWT chairman. Page 28

ACC back on the road

ACC, India's biggest cement producer, has staunched a crippling flow of red ink, in what could be one of the most spectacular turnrounds in Indian corporate history. The group, which turned a loss of Rs302m last year into a net profit of Rs266m ($15m) this year, is clearly trying to regain the leading edge. Page 21

Toronto sees the light



Amid the gloom of inflation and struggling economies, shines a ray of optimism. The Toronto exchange has seen a series of surprising buying sprees which are out of character with today's sombre stock markets. Telus Corp, the provincial telephone company, and Trans-Canada Pipe-Lines, the country's biggest natural gas pipeline operator, are among the shares which have been snapped up. Back Page

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Aachener Muench	715	–	20
Brown Boveri	731	–	39
Horten	217	–	11
Lahmeyer	1000	–	50
Metallgesell	498	–	18.6
Porsche	885	–	25
NEW YORK ($)			
Rises			
IBM	107¼	+	2⅛
UAL	105	+	7½
Philip Morris	45	+	⅛
Falls			
Chase Manhattan	15	–	⅞
PepsiCo	23⅞	–	⅜

Veritore	7⅝	–	[illegible]
PARIS (FFr)			
Falls			
BNP (Cert.Inv)	337.2	–	23.8
Bouygues	436.5	–	27.5
Immobanque	854	–	28
Nouvelle Galer	605	–	23
Printemps Au	460	–	35
Union Immob	562	–	23
TOKYO (Yen)			
Rises			
Iseki	1170	+	80
Japan Credit	2600	+	100
Kanto Natural	2370	+	200
Falls			
Ind.Bank Of Jap	2800	–	310
Nihon Kohden	1610	–	170
Sekisui Plastic	1000	–	120

LONDON (Pence)			
Rises			
Davies&Newman	235	+	45
Hughes (H.T.)	121	+	40
Kingfisher	318	+	11
Falls			
ADT	148	–	5
Bardon Grp.	120	–	46
Bluebird Toys	64	–	26
Body Shop Int.	165	–	5
Cable & Wire.	439	–	10
Commercial Un.	442	–	10
Countryside Prp	80	–	19
Etam	76	–	9
Fitch RS	48	–	27

Grand Met	547	–	20
Hanson	188	–	6½
Hazlewood	127	–	16
Iceland Frozen	290	–	15
Kleinwort Ben.	284	–	9
Lloyds	248	–	11
Midland	225	–	12
NatWest	249	–	15
Royal Ins.	382	–	11
Saatchi	40	–	6
Spey hawk	108	–	11
Sun Life	1033	–	30

NCR re-designs computer range around Intel

By Alan Cane in London

NCR, one of the world's largest computer manufacturers, yesterday announced that it was redesigning its entire product line to reap the cost benefits inherent in new technology.

The new computers, ranging in size from machines which can be used on a laptop to the largest mainframes commercially available, will be powered by microprocessors from Intel, the leading US semiconductor manufacturer. They will run industry-standard software including the control software for personal computers and workstations MS/DOS and Unix.

After Intel's announcement yesterday that its next generation microprocessor, the 80/586, will be launched in 1992, NCR executives said plans had already been made to incorporate it into their range.

NCR is the first mainframe manufacturer to commit itself to building its entire family of computers around standard, off the shelf microprocessors. Usually, computer makers have designed their own processors for each machine size.

NCR's four per cent share of the world mainframe market is the smallest of any of the large computer suppliers. It is successful with medium-sized machines and financial systems, but its customers usually go to other suppliers for large computers.

Last year it turned over $5.9bn but revenues and profits have been essentially flat for three years following steady growth through the early 1980s. Both sales and profits were encouraging in the first half of 1990 as demand for banking systems and the company's well regarded "Tower" super-microcomputer remained strong.

NCR's decision to use Intel microprocessors is a big blow for Motorola, another leading US semiconductor manufacturer, whose products NCR had used in earlier computer ranges.

Motorola is having technical problems manufacturing its top of the range microprocessor. This may have contributed to NCR's decision to go to Intel. Some analysts have suggested that Motorola's share of the market for high-performance microprocessors could fall as low as 28 per cent from 43 per cent in 1987.

NCR's new range is one of the boldest steps yet seen from any of the major manufacturers in coming to terms with changes in the computer industry. These changes have resulted in savage narrowing of manufacturers' gross margins because of the lower costs inherent in microprocessor-based systems and standard software.

It follows moves from Hewlett Packard and from IBM, both of whom have radically revised their designs, but neither has gone as far as NCR.

Analysts say, however, that the impact of the new range may be muted by NCR's traditionally understated approach to sales and marketing.

Technology, Page 11

Keen to cut out dead wood: Hennessey warned last week that there would be more changes and that "people may not like it"

New hands, same long knives

Janet Bush reports on the management shake-up at CS First Boston

The top-rank management upheaval at CS First Boston surfaced again this week. Mr Curtis Welling, head of equities at First Boston, the group's US securities operation, resigned under pressure. He is the latest of several high-ranking executives who have left in a purge of the old guard that has – at least in the past – created much bitterness within the firm.

This news comes only a fortnight after the appointment of Mr Archibald Cox as president and chief executive of First Boston. Mr Cox had previously spent only five months in an undefined managerial role at the company's parent CS First Boston, which is 44.5 per cent held by CS Holding of Switzerland, the parent of Credit Suisse, the big Swiss bank.

Mr Jack Hennessey gives up the positions taken by Mr Cox, and so relinquishes day-to-day running of First Boston. But he stays as president and chief executive of CS First Boston.

Mr Welling's departure dispelled any notion that the hiring and firing would stop once the mild-mannered Mr Cox took over. It suggests that the former head of Morgan Stanley's international operation in London is as keen as Mr Hennessey to cut out dead wood.

He points the finger firmly at his inheritance from former chief executive Mr Peter Buchanan. "The record would indicate that this was not a well-managed firm," he says.

Mr Welling is being replaced by an outsider from Dillon, Read, continuing a pattern which has developed under Mr Hennessey's leadership during the past year. In January, for example, Mr Hennessey hired almost the entire team of the bond trading boutique, Voute Coats Stuart & O'Grady. Mr William Voute was named head of all fixed-income sales and trading at First Boston.

For Mr Hennessey, the task is to strengthen the role of the holding company. Last week, CS First Boston announced the formation of an executive committee of top managers which will meet at least once a month. It is designed to strengthen the co-ordination of the group.

The creation of such a committee is seen as a move to increase the influence within the group of Credit Suisse First Boston, the European arm of the group. Mr Hans Jörg Rudloff, chairman of the European company, is retiring from the executive board of Credit Suisse on December 31, to concentrate on his new duties as a member of the group executive committee of CS First Boston.

The latest series of management changes come a year and a half after the current holding company was formed with its three operating subsidiaries, including Credit Suisse First Boston in Europe and CS First Boston Pacific in Tokyo. Mr Hennessey said last week that the current reshuffle represented the next stage of the group's evolution. He warned that there would be more management changes and that "people may not like it."

Mr Hennessey, who cut a swathe through First Boston's European operation in the early 1980s with impressive results, freely acknowledges that he is a ruthless manager and that he has probably contributed to the unhappy mood at First Boston. "If people are not professional, you should be ruthless," he said. "Too many compromises were made in the past and there were too many surprises. There was not enough accountability."

The summary executions underline how substantial a job Mr Hennessey saw ahead of him a year ago when he took over from Mr Buchanan. It was under Mr Buchanan that First Boston financed highly-leveraged transactions using junk bonds. These deals included Mr Robert Campeau's purchase of Federated Department Stores and Allied Stores, both of which soon went into bankruptcy.

First Boston had profits of only $11m last year. In comparison, fellow US securities houses Salomon and Morgan Stanley both reported earnings of more than $400m for the year. First Boston had net income of $108.9m against $180.6m in 1988. Its Campeau exposure and the collapse of the junk bond market last autumn left First Boston with $1.2bn in junk-related bridge loans.

The Campeau bankruptcies are an example of the surprises that Mr Hennessey wants to avoid with a more disciplined management team. He rejects the notion that the appointment of Mr Cox came about partly because of dissatisfaction at the Swiss parent. Mr Rainer Gut, chairman of CS Holding, has vociferously denied that he took the lead.

Mr Hennessey extols the talents of Mr Cox and the way he has fitted in with the culture at First Boston. He said a substantial chunk of the group's current earnings are generated overseas and it is logical that he should step back from First Boston to concentrate on the international group.

Mr Cox believes that the remaining bridge loan exposure will be dealt with by the end of this year. "The psychological burden of the bridge loans weighed on some people and the earnings difficulties, due to a large extent to reserves against Campeau, have taken their toll," he said. "I sense that there is less of that now."

Deutsche Bank neutral in Pirelli takeover bid

By Haig Simonian in Milan and Katharine Campbell in Frankfurt

DEUTSCHE BANK, which has a 5 per cent stake in the West German tyres group Continental, is not part of the consortium of investors marshalled by Pirelli of Italy in its efforts to take it over.

Mr Ulrich Weiss, who is both the Deutsche Bank board member in charge of Italy and chairman of Continental's supervisory board, said that the bank's position on the Pirelli proposal is "neutral."

Speaking as a Continental supervisory board member, he said, "It is my duty . . . to seek together with the Continental board the best possible solution for the company."

Continental itself yesterday indicated that a counter-proposal would possibly be made, but not within the next few days.

The proposal would be "in Pirelli's direction," a spokesman said.

Continental is understood to be unhappy that, despite being the larger company with more experience in foreign takeovers, it has, in effect, become a bid target.

Its board recognises, however, that the fit between the two companies is very good, but neither Pirelli nor Continental has in the past relished the idea of ceding control.

Mystery over shareholders, Page 20

Canadian Imperial to sell UK mortgage subsidiary

By David Barchard in London

CIBC MORTGAGES, the UK housing finance subsidiary of Canadian Imperial Bank of Commerce, has been put up for sale, in a further indication that specialist lenders are coming under severe pressure in a slow UK market.

Canadian Imperial said yesterday that CIBC Mortgages, which has a loan book of £2bn ($3.7bn), was still making a profit and the disposal was in line with its strategy of withdrawing from retail operations in the UK.

Analysts, however, said the move underlined the effect of the decline in the UK housing market on centralised mortgage lending businesses set up by specialist companies and foreign banks. There were unconfirmed reports yesterday that two other foreign banks might consider selling their home loans business.

"This is the first sign that the specialist lenders are getting in trouble," said Mr John Wrigglesworth, housing finance analyst at UBS Phillips & Drew.

"Mortgage lenders relying on wholesale funding went negative in the first quarter of this year," said Mr David Gilchrist, a general manager at Halifax Building Society, the largest UK lender. "It would appear that their mortgage business was being transferred to other lenders. I estimate that the building societies and Abbey National increased their share of the mortgage market to about 95 per cent in the first half of the year."

CIBC Mortgages, with a staff of 200 and offices in London and Coventry, is one of the top six centralised mortgage lenders in the UK.

S G Warburg, the London merchant bank, will act as advisers to CIBC for the sale.

Few guesses were being made yesterday about the price of CIBC Mortgages. However, the price will reflect the earnings from the business rather than the size of the portfolio.

In 1988 – when the last comparable sale of a foreign bank's mortgage business took place – the sale of Chemical Bank's £1bn ($1.8bn) mortgage book to BNP fetched about £32m. CIBC Mortgages may not be able to demand much more in a slow market.

The decision to place CIBC Mortgages on the market was taken more than a month ago and details of the business have been available to potential buyers since the middle of August.

Setback for Israeli bank sell-off

By Hugh Carnegy in Jerusalem

IN A dramatic intervention in the Israeli Government's plans to sell its majority shareholdings in the country's top banks, the Bank of Israel yesterday expressed strong concern over the conduct of the sale of Israel Discount Bank, the first to be put up for tender.

The central bank – which must approve any sale – has proposed that last week's deadline for potential bidders to declare their interest in IDB be extended for three months to ensure fair competition and maximum price.

The move complicates the already delayed process of disposing of the state's bank holdings. The process was launched to rescue the system from collapse after a share support scandal. The Government acquired the majority stakes – without full voting rights – in 1983 for $7bn.

When the original deadline for IDB passed on September 12, only two parties had declared – the Recanati family of Tel Aviv, founders of the bank, and a group headed by Mr Murray Goldman of Canada. Several potential bidders, including Mr Robert Maxwell, the British publisher, have dropped out.

The Recanatis have retained control of the group through the preferential share system since 1983; this is despite the fact that two senior family members were strongly criticised by an official inquiry for their part in the share support episode and may yet be indicted. The family agreed this year to equalise voting rights to facilitate the share sell-off. But, in exchange, the Recanatis won concessions weighting the tender in their favour.

Professor Michael Bruno, the governor of the central bank, said the Bank of Israel only learned of the "restrictive conditions" after they were agreed and was unable to comment at the time. The conditions include the provision that IDB, which incorporates a large investment corporation and a big US banking subsidiary, be sold as a whole. The Bank also criticised the short time set between the agreement at the end of June and last week's deadline for bidders.

Events in the Gulf, creating uncertainty among potential bidders about investing in the Middle East, have made things worse, the central bank said. "Circumstances like these do not permit real competition."

"The Governor stressed that the proposed extension of the tender deadline was intended to allow a number of additional candidates to present themselves and thus enable the Government to achieve the maximum price."

INTERNATIONAL COMPANIES AND FINANCE

Midway net rise at BSN disappoints analysts

By George Graham in Paris

BSN, THE leading French foods group, has reported first half net profits of FFr1.51bn ($289m), on sales up 16 per cent to FFr26.9bn.

The 7 per cent advance disappointed Paris financial analysts, especially since profits in the first half of 1989 were depressed by the heavy financial costs of BSN's acquisition of the Nabisco biscuit divisions.

Strong results from the beer, champagne and mineral water divisions were offset by declines in earnings from biscuits and dairy products.

BSN said the results were in line with its forecasts, and that the hot summer would considerably boost the earnings of, for example, its Evian mineral water and Kronenbourg beer subsidiaries.

The group said its dairy division was hurt by restructuring costs stemming from the closure of the plant of its US subsidiary Dannon in New Jersey, but offered no explanation for the decline in biscuit earnings – which analysts had expected to advance significantly as a result of the inclusion of the Nabisco divisions.

Dairy product operating income dropped 8 per cent to FFr499m, and the biscuit division recorded the same drop to FFr479m.

Champagne and mineral waters gained 42 per cent to FFr453m, while the beer division advanced by 11 per cent to FFr550m, becoming in the process the largest contributor to group profits.

Overall group operating income showed a 12 per cent advance to FFr2.87bn, more in line with analysts' forecasts, but at the net level, after financial expenses and contributions from equity participations, the advance was trimmed to 6.8 per cent.

● Aussedat Rey, the French paper maker, reported consolidated net profit up 49 per cent for the first half of 1990 to FFr112m from FFr75m a year earlier.

The group said the advance was fuelled by better operating conditions, such as lower raw materials costs.

Fauroux urges Bull to pursue European link

By William Dawkins in Paris

MR Roger Fauroux, the French Industry Minister, has urged Groupe Bull, France's troubled state-owned computer maker, to seek a European alliance – an indication of a long-running government rethink of Bull's future.

He cited Siemens of West Germany or Olivetti of Italy as the favoured partners for the French group, although it is understood that there are no immediate plans for a specific link-up.

"It is in Bull's interest to seek an alliance with other European operators. There is no longer much choice," Mr Fauroux told Les Echos, the financial newspaper.

His remarks are a sign of concern over Bull, which reported a record loss of FFr1.88bn ($360m) for the first six months of the year, far worse than expected.

Bull's problems are due to profound changes in the computer market, where clients are turning away from costly proprietary systems towards cheaper "open" systems, where different makes of machine can be connected easily.

This has hit gross margins, forcing Bull to lay off staff and reshape its marketing strategy. The company declined to comment, beyond admitting that it always kept in close contact with European competitors.

Mr Fauroux's remarks show a revealing change of tone from a Government which has spent huge sums in recent years to support the independence of Bull, seen as a strategically valuable asset for French industry.

The state has poured FFr2.5bn into the group since 1988 and backed its ambitious takeover last year of the computer division of Zenith Electronics of the US.

"Either you could make an alliance with the Americans, but nobody in the computer business is accessible to my knowledge. Or you could make an alliance with a big Japanese company, but you know what that means . . . you disappear from the map as an independent operator. That is what the English have done," said Mr Fauroux, referring to the takeover of ICL by Fujitsu, Japan's leading mainframe maker.

"The third solution, which we favour, is a European alliance . . . You have two of those: Siemens and Olivetti."

Acec-Union net profits reflect adverse conditions

By Tim Dickson in Brussels

ACEC-UNION Minière, the Belgian non-ferrous metals group 82 per cent-owned by Société Générale de Belgique, yesterday demonstrated the vulnerability of its profits to currency and commodity price swings.

In announcing consolidated net profits for the first six months of 1990 totalling BFr4.2bn ($130m) and pre-tax current profits of BFr3.7bn, the company said it had been adversely affected both by the "slump" of the US dollar and and by lower prices for its principal non-ferrous metals.

While these remained at "satisfactory levels," a statement explained, they did not reach the record highs registered in 1989. The company said that "if the dollar remains weak – a trend that has been confirmed since June 30 – it may not be possible to repeat the performances of the first half of the year."

No comparative interim profit figures are available for the first six months of 1989 but for last year as a whole Acec-UM turned in consolidated net profits of BFr19.8bn, and pre-tax operating profits of BFr11.8bn.

The board claimed yesterday that its investment and rationalisation programme would improve the company's competitive edge.

NEWS IN BRIEF

Italian bank ahead 27% at midway

BANCO AMBROSIANO Veneto (Ambroveneto), Italy's biggest privately-owned bank, reported gross operating profits up by 26.7 per cent to L333bn ($285m) in the first six months of this year, writes Haig Simonian.

No details were released for net earnings at the bank, the result of the merger this year between Nuovo Banco Ambrosiano and Banca Cattolica del Veneto.

The bank said the jump in operating income represented the first fruits of the merger, with a rise in fee income and better control of costs. Net earnings last year climbed by 15 per cent to L142.9bn.

Deposits rose by 10.4 per cent to L13,990bn in the first half of this year, while loan volume rose by almost 15 per cent to L12,397bn.

■ KINGFISHER, the UK retailing group which includes the Woolworths and B&Q chains, yesterday said it had made "very satisfactory progress" in increasing interim pre-tax profits by 3 per cent in the face of harsh trading conditions, writes John Thornhill.

Taxable profits rose from £64m ($121m) to £65.7m in the half year to August 4, on sales ahead at £1.39bn.

The company's trading performance was more resilient than the City of London had expected and the shares rose strongly before slipping to 318p, a gain of 11p on the day.

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■ FRENCH stock market regulators investigating the collapse of Tuffier, the stockbroking firm, have reported possible criminal mismanagement of the broker's mutual funds to the public prosecutor's office, writes George Graham. The Commission des Opérations de Bourse (COB) said Tuffier had used government bonds belonging to three of the funds it managed to raise cash through money market repurchases.

At the time of Tuffier's collapse in July, the contested repurchase operations concerned FFr101.7m ($19.5m), out of FFr871.5m held in the Pact Plus, Pact Arbitrage and Securité Plus funds.

Tyre deal questions go unanswered

Haig Simonian finds that secrecy surrounds Pirelli and Continental

A veil of secrecy continues to surround the list of the shareholders backing the proposed link between Pirelli and Continental, the world's fourth and fifth biggest tyre manufacturers.

Pirelli itself has said it owns 5 per cent of Continental's shares, held via a subsidiary of Pirelli Tyre Holding (PTH), the tyres operation it spun off on the Amsterdam Stock Exchange last year.

Meanwhile, Deutsche Bank holds another 5 per cent, while Merrill Lynch, the US investment bank, has about 1 per cent.

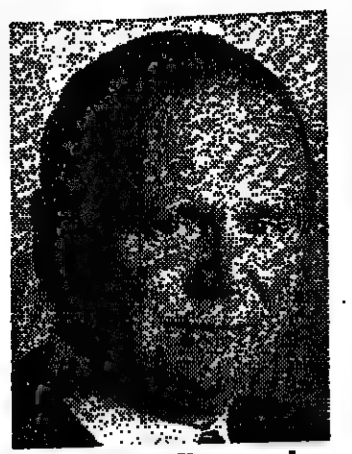
Clues, but little more, as to other major shareholders may be gleaned from the membership of Continental's supervisory board. As ever, much of the blue chip German business establishment is present.

But there are also some stranger names on the list. Those include Mr Hans Angermueller, a lawyer at Sherman & Sterling, the US law firm, who was appointed in July last year, and Mr Manfred Emcke, a well-known German management consultant. There is also a representative for a German small shareholders' association.

In other developments:

● Pirelli has taken pains to stress the "friendly" nature of its approach in an attempt to break the continuing silence from the Continental camp. According to Pirelli, the proposal is "not a takeover, but a combination" of two equals to create a new sort of "joint venture" between two of the world's leading tyre manufacturers.

Horst Urban: Continental Tyre's chief executive



Ludovic Grandi: general manager of Pirelli Tyres

But the Italian company is clearly keen to avoid the pitfalls that befell its ill-fated alliance with Dunlop in the 1970s. Hence rather than leaving itself open to the dangers of unclear responsibilities and management control, Pirelli has stressed that its proposal to take management control of the merged PTH-Continental concern reflects its concern to make sure that the combined unit will be coherently managed.

● One reason Pirelli and Continental know each other so well is that the two companies are believed to have thought – and talked to each other – about forging links in the past.

● Pirelli is aware that Continental's management might try to assemble its own group of sympathetic shareholders to block the faction supporting the Pirelli proposal.

Quite what form that blocking minority might take remains unclear, especially given the fact that Continental's statutes still only require a simple majority of shareholders to push through policy.

● Names of the banks behind the deal remain equally mysterious, with an almost farcical side to the affair. Callers to Mediobanca, the leading Italian merchant bank which has regularly advised Pirelli on corporate finance matters in the past, are advised to ring Pirelli. Pirelli responds with a "no comment" and the suggestion that such information best comes from its bankers themselves.

● The background to the deal also remains cloudy. There is no doubt that Pirelli has been spending "several months thinking about this" according to one source close to the company.

During that time, it is believed to have been sounding out, directly or through its advisers, leading Continental shareholders. How it has found their names in a country of bearer shareholders is not stated.

● The reasons for structuring the deal in its present form are a mixture of practicality and prudence. Practicality because Pirelli knows that a head-on Anglo-Saxon style takeover bid would fail in Germany on account of Continental's 5 per cent voting rights rule.

Prudence because Pirelli is in many ways an extremely "Germanic" company. It shuns the limelight for its corporate affairs, talks little to the press and would be unwilling to embark on a hostile bid.

● The financial details of the deal remain extremely fuzzy, not least the valuations of the two companies. The most likely procedure, if the Pirelli proposal is accepted, is for a Continental rights issue, in which PTH will take up a block of shares.

PTH will remain a separately quoted company in Amsterdam, with its prime asset being a large stake in the Continental-PTH tyres concern.

Voting restrictions start to show cracks

VOTING right restrictions have long been a controversial feature of the German corporate landscape. In force at roughly 20 of the country's larger firms, the measure limits, usually to 5 per cent, the voting powers of any shareholder, regardless of the size of his stake, writes Katharine Campbell.

Intended as a deterrent to unwanted takeover activity, voting right restrictions have in the single real previous test proved a highly ineffective weapon – when Veba took over Feldmühle Nobel.

Similarly, Pirelli is assumed to have marshalled a consortium of leading German and Italian industrial and financial names, each with 5 per cent or less in Conti, which have pledged their support to the Italian company.

Conti itself has clung to its own restriction which came under attack at this year's annual meeting. A motion to overturn the measure was narrowly defeated. This explains why Conti had in the days before the meeting sought to raise to 75 per cent the majority required to overturn the measure.

As an indication of how much the climate is changing, Deutsche Bank, itself the major proponent of the measure in the mid 1970s when surplus funds from the Organisation of Petroleum Exporting Countries threatened to spill into the world of German industry, unexpectedly changed its tune this year, indicating that it regarded the technique as outdated.

Stopping short of abolishing its own 5 per cent limitation, the bank suggested that when fuller EC disclosure requirements improved the transparency of the German market, it might be appropriate to remove a feature that represented a "foreign body" in a market economy.

Currently, only stakes of 25 per cent or more must be disclosed. Given the system of bearer rather than registered shares, a company has little idea as to who its shareholders are – in sharp contrast to the US or UK. Last November, Conti resorted to a survey to find the geographical placement of its shareholders – but on an anonymous basis only.

Many factors are eroding the alliance between banks and industry, in which a German company could rely on its banking friends to support an acceptable solution.

Deutsche Bank's purchase of Morgan Grenfell emphasises the changing environment, as does the fact that major German companies have been involved in hostile bids abroad that would still provoke an outcry at home.

INTERNATIONAL COMPANIES AND FINANCE

Adsteam shares slide in reaction to report by rival

By Bruce Jacques in Sydney

A SHARE price slide at the Adelaide Steamship group, the diversified Australian manufacturing combine run by Mr John Spalvins, reached crisis proportions yesterday.

Investors continued to dump shares in the Adsteam group following a research report from a rival corporate raider, Sir Ronald Brierley, who owns 4 per cent of Brierley Investments, the New Zealand investment group he founded.

Adsteam shares were cut 33 cents to a 3-year low of A$2.65, a fall of more than 60 per cent on their 1990 peak.

The selling spread to associates in the complex group, with David Jones down 74 cents to A$5.36 and National Consolidated off 19 cents to A$1.95.

Overall, the group's market capitalisation fell by more than A$300m (US$250m).

Sir Ronald has claimed publicly that, stripped of the double-counting caused by its cross-shareholdings and other accounting vagaries, the Adsteam group has only broken even during the past four years.

The motives for Sir Ronald's claims are unclear, but analysts are drawing parallels with the campaign conducted by Mr Tiny Rowland, chief executive of Lonrho, which severely damaged Mr Alan Bond's corporate empire.

Analysts say the Adsteam group is vulnerable to a market run because its structure is considered wasteful and its total shareholders' funds appear to be less than A$2bn against group debts approaching A$7bn.

Relations between Mr Spalvins and Sir Ronald have been sour since the former's Adsteam group took over the latter's Australian flagship, Industrial Equity.

Speculation is growing that Sir Ronald's campaign is intended to weaken Mr Spalvins' group so that one of his vehicles, probably Brierley Investments, can pick up some of the Adsteam businesses cheaply.

The Adsteam share price fall earned Mr Spalvins an official query from the Australian Stock Exchange yesterday, but he replied that he knew of no reason for the selling.

Mr Spalvins reminded the exchange that Adsteam had announced a record profit last week, and asserted that nothing had changed in the meantime.

Links behind a startling turnround

Gita Piramal on the reasons for ACC of India's sudden profitability

The recent turnround at ACC, India's biggest cement producer, may go down as one of the most spectacular in Indian corporate history.

By converting last year's loss of Rs302m into a net profit after depreciation and interest of Rs266m ($15m), the management has not only staunched the flow of red ink, but is clearly trying to regain the leading edge.

The improved results of the company, which is a member of the Tata group and has a turnover of Rs9.91bn, have had a remarkable impact on its share price. This time last year, a Rs100 nominal value share was traded for less than Rs300. Last month it passed the Rs1,000 threshold and this month the Rs 2,000 mark. The price is now stabilising.

According to Mr Udayan Bose, chairman of Credit Capital, a leading Indian merchant bank, the share is highly over-priced. "If you go by the fundamentals, the ACC share should be more like Rs500," he says.

Mr Surendran A. Dave, chairman of the Unit Trust of India, the country's biggest stock market participator, disagrees: "It is still quoting below its potential and could go much higher."

Superficially, the reasons for ACC's turnround appear to be stronger demand, better management and the abolishing of government price controls. Heavy government purchases coincided with the traditionally busy January-March season to push up overall demand and ACC was able to capitalise on the boom.

By improving operations, ACC's capacity utilisation shot up to 94.3 per cent and it managed to produce nearly 7.5m tonnes of cement. Further, on March 1 1989, the Government abolished price controls, enabling manufacturers to alter prices according to demand.

Simultaneously, the new management team which took over after a controversial debenture issue in March 1988, introduced a successful cost-cutting exercise. Each aspect of production, including transportation and power, was rationalised to improve profitability.

Meanwhile, the company went on a selling spree. Two large loss-making plants had already been sold in 1987 and 1988 but at fire-sale prices. In 1989, ACC sold four more loss-making units – this time at an attractive price of Rs140m. Collectively, ACC sold roughly 1m tonnes of production, making up the short-fall by better utilisation of remaining plants.

Such explanations conceal the real reasons for ACC's amazing recovery.

ACC is still an old-fashioned company burdened with antiquated machinery in most of its plants, using the out-dated wet process for manufacturing cement.

In the 1980s, several other Indian manufacturers, erected new plants with quality equipment staffed by tiny workforces. Once India's premier cement producer, ACC saw its market share being whittled away to 20 per cent.

ACC has tried desperately to modernise. Last January, it linked with Japan's Nihon cement company for consultancy services.

Its options are limited. One industry analyst believes that if ACC were to convert all its plants to the more modern dry process, it would cost Rs20bn – a figure impossible for ACC to generate.

Management instability also haunts the company. The managing director's office has seen three occupants in five years. It is expected that Dr Subrata Ganguly, the current managing director, may leave to build the Rs30bn Haldia petrochemicals complex, the Tata group's most ambitious project.

What are the real reasons for ACC's turnround? The entry of two exceptionally gifted managers such as Dr Ganguly, who joined ACC in November 1988, and Mr Darbari, is a key factor.

Mr Seth, the chairman of Tata Tea and Tata Chemicals, acquired management control of ACC after the purchase of a 10 per cent stake in mid-1988.

The real basis for ACC's profitability probably lies in its membership of a cement cartel formed in the summer of 1988. The cartel's existence is officially denied by the cement producers. While the cartel has helped all its members, ACC has benefited most.

Adopting a regional pricing structure, the cartel fixes different prices for each state. A 50kg bag of cement, for example, costs Rs110 in north India, but is only Rs85 in the south.

As India's only national multiple-location company with plants in Gujarat, Tamil Nadu, Rajasthan, Haryana, Himachal Pradesh, Madhya Pradesh, Bihar, Andhra Pradesh, Maharashtra and Karnataka, ACC now obtains the best prices possible at each factory. Weak plants have suddenly become profitable.

As long as the bonds among the leading manufacturers remain, ACC will enjoy good profits. Whether the Indian Government, once it manages to resolve its political crises, will allow the cartel to continue, is another question.

Fu Hui Jewellery issues shares as part of listing

By Bruce Jacques in Sydney

FU HUI Jewellery, a Hong Kong-based designer and manufacturer of jewellery, yesterday offered 70m new shares to the public as part of its stock-market listing. Trading in the shares is due to start next month.

The shares represent 25 per cent of the company's issued share capital and Fu Hui hopes to raise HK$79.1m (US$10m) from the exercise. The money will be used to develop new product lines and set up a chain of jeweliery shops in Hong Kong.

Although the issue is small, the flotation is seen as significant because one of Fu Hui's largest shareholders is a state-owned Chinese company. Following the listing, Fujian Jewellery Import and Export Company of China and a Hong Kong business executive will each own 35 per cent of the company.

The Hong Kong Stock Exchange has long hoped to attract Chinese-controlled companies to list in the colony. But plans have been frustrated by events such as the 1987 markets crash, an economic austerity programme in China and last year's Tiananmen Square massacre in Peking.

NRMA chalks up record loss

By Bruce Jacques

NRMA Insurance has lengthened the list of Australian general insurers reporting large underwriting losses for a disaster-prone year to June.

The company yesterday announced a A$143.1m (US$119m) underwriting loss, the largest in its history, reflecting payouts on the Newcastle earthquake and extensive hail and cyclone damage.

A strong investment performance allowed the company to limit the effect on its net earnings, which declined from A$82.3m to A$77.5m in the year.

Directors said NRMA lifted its investment profits from A$147.6m to A$202.7m and premium income rose 26 per cent to A$976.6m

Jardine Motors net falls 27% midway as sales slip

By Angus Foster in Hong Kong

JARDINE International Motors, the Hong Kong-based car dealership which bought Lancaster of the UK in June, yesterday launched a week of interim profit announcements from the Jardine group, which is controlled by the Keswick family.

Jardine International Motors used to be called Zung Fu. It announced a 27 per cent fall in net profits to HK$112.9m (US$14.5m) in the six months to the end of June. The company is maintaining its interim dividend at 6 cents a share.

Mr Simon Keswick, chairman, said car sales and margins in the company's markets of Hong Kong, Australia and the UK were adversely affected by weaker economies and high interest rates. He warned that second-half earnings are likely to be lower than in the first six months.

The company is the agent for Mercedes Benz cars in Hong Kong. Sales of luxury cars in the colony have fallen since last June's crackdown in Peking, which dented business confidence in Hong Kong. Recent tax increases on car ownership have also affected sales.

Hongkong Land and Dairy Farm, the Jardine group's supermarkets arm, announce interim results this week. Mandarin Oriental, the hotel company, Jardine Matheson and Jardine Strategic, a holding company, are due to announce results next week.

S African group plans industrial sector restructure

By Philip Gawith in Johannesburg

FSI, the South African industrial conglomerate, has announced a large-scale restructuring which has the effect of transforming its subsidiary W&A Investment Corporation into one of the country's 20 largest industrial companies.

The growth of the FSI group was one of the outstanding features of the local business scene during the 1980s.

In a series of interlinked transactions, involving the delisting from the Johannesburg Stock Exchange of Teamcor, Hunts, Homemakers Holdings and Citizens Holdings, W&A will acquire ownership of businesses owned by FSI and will increase its existing stakes in other big companies.

The restructured W&A's assets of R2.7bn ($1.05bn) would have made it the fifteenth largest industrial company in the country in 1989. It was voted last year as the listed company which had generated most wealth for its shareholders over the previous five years. Earnings per share increased from 7.7 cents in 1985 to 114.7 cents in 1989.

The restructuring will simplify the group's structure. The previous structure, which included multiple holding companies, made analysis and valuation difficult, confused investors, was administratively expensive and inefficient from a cash-flow point of view.

Mr Jeff Liebesman, chief executive of the FSI group and W&A, said that apart from addressing these problems the new structure would involve considerable cost and tax savings. The group's paper-placing ability was also improved in that R750m could now be raised without ceding control.

The effect of the various transactions will be to make W&A the holding company for all the FSI group's interests, both domestic and international. More than 70 per cent of W&A's earnings will come from five core businesses: Form-Scaff SA and SGB, which are involved in formwork and scaffolding; Gentyre, a tyre manufacturer; the JD furniture group; hosiery company Burhose; and electrical distribution company Elcentre.

The enlarged W&A will stay under the control of FSI Corporation, which has a 75 per cent stake in Waicor, which in turn has a 71 per cent stake in W&A.

Largely through Mr Liebesman's considerable entrepreneurial energies the group grew from a small scaffolding business, which turned over R21m in 1981, to a conglomerate turning over R3bn in 1989. An ebullient Mr Liebesman said: "If there is a South African dream, in economics, then this is it."

This is a view which the investment community has not always shared. To a large extent the group has been a victim of its youth. Analysts have refused to believe that a creation so youthful could be sound.

But there have been more substantial criticisms, including the group's high debt burden and the fact that a number of restructurings had made comparability of year-on-year results difficult. These latest moves would appear to have brought the group on the side of the investment community.

Northgate searches for a golden opportunity

Kenneth Gooding on a Canadian company's prospects

When Northgate Exploration inquired about the possibility of buying Gold Fields of North America from Hanson, the Anglo-American conglomerate, "Hanson would not even let us in through the door," said Mr John Kearney, Northgate's chief executive. "Hanson's attitude was: who's Northgate?"

To be fair, Hanson seemed to think GFNA, acquired during its takeover of Consolidated Gold Fields of the UK, was worth about US$1bn, which would seem to put it out of Northgate's range. A quick glance at Northgate's 1989 balance sheet shows a company with total assets of C$441m (US$383m), sales of C$21m and net income of C$9.4m.

Yet Mr Kearney insisted that, given the right terms, there was no limit to the cash Northgate could find for the right gold company.

For among the many large, "and very supportive," shareholders of Northgate can be found Messrs Edward and Peter Bronfman, two of Canada's richest people, whose Brascan empire includes the country's largest natural resources group, the largest life insurer and a battery of financial services companies.

The Bronfmans are backing Northgate through their Trilon Financial Corporation which has a direct 5 per cent holding in the mining company and options to go up to 18 per cent. In addition, Westfield Minerals, an investment company which has 10 per cent of Northgate and plans to go to 20 per cent, is controlled by another Bronfman company.

Northgate had good reason to go knocking on Hanson's door. It has set itself the objective of becoming a substantial, hands-on gold mining group.

But, as Mr Kearney admitted ruefully, even though the gold bullion price has been languishing in the doldrums for many months, there seem to be no bargains among the larger gold producing companies.

Northgate's roots are in Ireland with Mr Pat Hughes, the chairman, who, with associates, still owns about 5 per cent of Northgate.

It developed three base metals mines in Ireland in the 1960s and 1970s. During the 1980s it built Whim Creek of Australia from a junior exploration company into a significant gold producer and pioneered the use of gold leaching technology there.

Mr Kearney, who also owns about 5 per cent of Northgate, was sent to Canada in 1979 to find gold mining operations to replace the group's fading Tina lead-zinc mine in Ireland.

Northgate bought the Chibougamau gold-copper properties in Quebec for C$85m in 1981 but struggled to make them efficient – it was hard to

John Kearney: wants company to be easier to understand

reduce costs, increase gold production and boost reserves, which lasted until 1986. The following year, out of the blue, came an offer of C$260m for the two Chibougamau properties from Western Mining of Australia.

"Selling the mines went completely against our corporate strategy but the deal was an excellent one for shareholders," said Mr Kearney.

However, it meant that in January 1988 Northgate had C$200m of cash, but was a mining company without a mine. Mr Kearney said Northgate could not buy 100 per cent of a good, low-cost gold mining company because such companies were not available.

Exploring for gold offered no guarantee of success and would take too long, so Northgate settled for buying substantial stakes – typically 20 per cent – in promising companies. It ensured the money went "into the ground," that is, into the companies to be used for further development rather than to other shareholders.

The present Northgate corporate structure comprises a 50 per cent interest in NorthWest Gold and through NorthWest a 42 per cent interest in Sonora Gold; a 19 per cent interest in Audrey Resources; and a 42 per cent diluted interest in Geddes Resources. Northgate's is the largest shareholding in all cases.

Its gold interests include the Jamestown mine in California with annual production of about 110,000 troy ounces; the Joe Mann mine in Quebec, where a C$20m expansion should raise production to 100,000 ounces from 47,100 last year; and the Choquelimpie mine in Chile, where Northgate's 35 per cent interest equates to 30,000 ounces a year.

With the exception of Audrey, Northgate personnel operate and manage these companies. But Northgate's complex structure meant that it was seen in the market as a holding company and its shares have been rated well below those of pure gold producers. Mr Kearney has been determined to put that right.

"We are moving to increase our stakes in all the subsidiaries and in two years we will own 100 per cent where that is justified. Then Northgate will be easier to understand."

However, in the shorter term, Northgate's credibility rests mainly on the Colomac gold mine, just brought on stream in Canada's North West Territories at a cost of C$200m. Colomac represents a tremendous gamble because of its remote location (137 miles north-west of Yellowknife), the small quantity of gold in the ore and its high costs – it needs a gold price of US$350 an ounce to survive.

Mr Kearney said Northgate had protected itself financially. Its total exposure was C$50m, including C$15m for equity.

"If Colomac is not a success it would not be a financial disaster for Northgate, just a great disappointment," he said.

Mr Kearney said the risk was worth taking because: "Colomac represents a singular opportunity – the chance to produce 200,000 ounces of gold a year and thus more than double the group's gold production.

"Growth in gold production is a key policy of the Northgate group and gold opportunities are few and far between."

Overseas sales lift Nike

By Nikki Tait in New York

NIKE, the Oregon-based manufacturer of athletic and leisure footwear, posted a 31 per cent advance in first-quarter after-tax profits to $89.7m.

However, with sales advancing 38 per cent to $833.6m, gross margins eased from 37.9 per cent to 37.4 per cent. Earnings per share in the three months to the end of August rose to $2.62 from $2.01.

The fastest rate of sales growth came from Nike's international operations, where turnover was almost double the level a year ago, at $180.9m.

According to Nike, European sales account for the lion's share of this figure. In the largest business area, US athletic footwear, sales were 31 per cent higher at $535.7m.

In the smaller US clothing and non-athletic footwear divisions, sales rose 21 per cent and 20 per cent respectively.

Nike's chairman, Mr Philip Knight, said orders for athletic footwear and clothing, which were scheduled for delivery between September 1990 and January 1991, currently exceeded $1bn, and were some 42 per cent higher than the same period a year earlier.

Kone buys control of unit

By Enrique Tessieri in Helsinki

KONE, the Finnish lifts and crane-making group, has acquired full control of EPL-Kone, a lifts company which controls 35 per cent of the Australian lifts market and is a market leader in New Zealand.

Kone has bought a 70 per cent stake in EPL-Kone, which has annual turnover of about A$200m (US$166m), from Lend Lease, the Australian property and financial services group.

Kone and Lend Lease entered into a technology exchange agreement in 1966. Since then, Kone has gradually raised it stake within EPL-Kone and by 1989, it owned 30 per cent of the company.

Mr Stuart Hornery, chairman of Lend Lease, said the sale of the Australian company's stake would allow his group to focus more on its core areas.

General Mills climbs 12.7% in first quarter

GENERAL Mills, the Minneapolis-based food and restaurants group, unveiled a 12.7 per cent advance in after-tax profits to $129.5m during its first quarter, writes Nikki Tait.

The figure, for the three months to the end of August, compares with $114.9m in the same period a year earlier.

General Mills said that if discontinued operations were excluded, the advance was more marked – up 15.5 per cent at $123.8m on sales 16 per cent higher at $1.74bn.

Amdahl range challenges IBM's latest mainframes

By Louise Kehoe in San Francisco

AMDAHL, the leading manufacturer of IBM-compatible mainframe computers, yesterday introduced a new range of mainframe computers which it claims outperform International Business Machines' most powerful models.

The announcement came just two weeks after IBM launched its long-awaited new generation of mainframe computers, the System/390.

The speed with which Amdahl has moved to counter IBM's new products demonstrates the quickening pace of competition in the mainframe computer market.

Amdahl's most powerful new machines will not be available until about a year after IBM plans to begin shipments of its top-of-the-range models.

Its new 5995 Series of mainframes will consist of 10 models, including six models for the majority of large-scale data processing needs and four models for large data centres. Prices will range from about $3m to more than $30m.

In common with IBM, Amdahl has configured multiple processor systems for very high performance. While IBM's new top performance model has six processors, Amdahl will offer an eight-processor model, but that machine will not be available until the second quarter of 1992.

Amdahl's new computers mirror IBM's new computer architecture enabling them to be linked via high-speed fibre-optic communications channels. New versions of IBM's operating software will also run on the Amdahl machines.

Jobs returns with new launch

By Louise Kehoe

NEXT, the computer workstation company founded by former Apple Computer chairman Mr Steve Jobs, was preparing yesterday morning for the launch of new products with which Mr Jobs intends to salvage the company and his reputation as a computer innovator.

The announcement comes two years after Mr Jobs unveiled the original Next computer amid great fanfare. It was billed as a machine that would revolutionise computer workstations, much as the Apple Macintosh influenced the personal computer market.

Despite the excitement generated by Next's first announcement, the Next computer has been a big flop. Only a few thousand of the workstations have been sold, according to industry analysts.

Critics panned the first model as too expensive, slow and lacking colour displays.

Next's new computers will address these problems with a cheaper low-end model priced at less than $5,000 as well as a more expensive colour version.

Interest in Next remains strong, despite its sluggish start, but analysts remain unconvinced that the fledgling company will have a significant impact in the highly competitive workstation market which is dominated by Sun Microsystems, Hewlett-Packard and Digital Equipment.

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INTERNATIONAL CAPITAL MARKETS

Treasuries recover despite large rise in trade deficit

By Karen Zagor in New York and Simon London in London

US Treasuries recovered their morning losses to end the day little changed in spite of an unexpectedly large rise in July's trade deficit, continuing worries about the Middle East crisis and the lack of a budget agreement.

In late trading, the Treasury's bellwether 30-year bond was down $\frac{1}{16}$ point at 96¾, yielding 9.06 per cent, after rising briefly in late trading. The long bond was quoted as much as $\frac{11}{32}$ point lower earlier in the day. Short-dated maturities were unchanged to $\frac{1}{16}$ point lower.

The trade deficit for July of $9.33bn was also much higher than the $7bn expected. June's deficit was revised up to $5.34bn from $5.07bn.

The Federal Reserve did not intervene in the open market and Fed funds, the rate at which banks lend to each other, dropped to 6¼ per cent in late trading, after opening at 7$\frac{15}{16}$ per cent. With the funds trading below 8 per cent, there was no need for the Fed to add reserves and the lack of intervention did not seem to reflect a policy change by the Fed. However, the late afternoon decline prompted renewed speculation that monetary policy may have been eased.

The 0.8 per cent rise in August's consumer price index was no surprise to the debt market, but the 0.5 per cent increase, excluding the volatile food and energy components, was stronger than expected and did nothing to alleviate worries about inflation.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	09/92	101-22	-1/32	12.64	12.45	12.78
	9.000	03/00	84-06	-1/32	11.82	11.73	12.02
	9.000	10/08	83-08	+1/32	11.17	11.10	11.47
US TREASURY *	8.750	08/00	96-31	-1/32	8.90	8.82	8.79
	8.750	08/20	96-25	+1/32	9.06	8.98	8.94
JAPAN No 119	4.800	6/99	81.1377	-0.119	8.67	8.35	8.08
No 130	6.700	06/00	91.9683	-0.099	8.18	8.03	7.57
GERMANY	8.500	08/00	96.6000	+0.050	9.03	8.95	8.95
FRANCE BTAN	9.000	11/95	94.6943	-0.034	10.36	10.21	10.25
OAT	8.500	03/00	88.0700	-0.180	10.52	10.28	10.18
CANADA *	10.500	07/00	97.2000	-0.150	11.97	10.79	10.74
NETHERLANDS	9.000	07/00	96.7300	-0.040	9.20	9.08	9.01
AUSTRALIA	13.000	07/00	96.7487	-0.418	13.60	13.43	13.57

London closing, *New York closing
Yields: Local market standard

Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■VOLATILE trading in Tokyo saw Japanese government bonds fall to new lows early on, before improving in later trading to close only slightly down on the day.

The benchmark No 119 issue opened on a yield of 8.565 per cent and moved out to 8.65 per cent before short covering brought the yield back to close at 8.59 per cent.

In the futures market trading volume was a heavy 72,000 contracts and the December futures contract closed at 87.68, up from 87.60 on Monday. However, the contract also hit a new low of 87.33 during the day.

Volatility was heightened by the afternoon deadline for trades to be settled before the close of the half-yearly book at the end of September. Also working against long-term confidence was the announcement of money supply figures for August, showing broad money growing at a year-on-year rate of 11.9 per cent. This represents a slight deceleration from the 12.2 per cent rate registered in August but remains above Bank of Japan targets and suggests that monetary policy may have to tighten further.

■UK GOVERNMENT bonds moved lower during the morning session against a background of higher oil prices and but rallied strongly to close up on the day.

The benchmark 11¾ per cent 2003/2007 gilt closed the day at 99¾ for a yield of 11.77 per cent, up just $\frac{1}{16}$ of a point from the opening but up $\frac{7}{16}$ of a point from the days low.

Announcement of a UK public sector borrowing requirement of £800m for August was in line with expectations and failed to disturb the market. However, disappointing trade data from the US encouraged the rally in gilts through the afternoon session.

The market is now focused on the announcement of broad and narrow money supply figures tomorrow. Analysts are looking for a slowdown in both the rate of growth of notes in circulation and the rate of growth in lending.

■ANOTHER QUIET day's trading of German government bonds saw the benchmark 8½ per cent 10-year bund trade in a tight range to close unchanged at 96.60 for a yield of 9.03 per cent.

In the futures market the December bund contract closed down 4 pfennigs at 80.93 on a volume of 26,000 contracts.

■THE DUTCH government budget was generally well received in the bond markets although the government borrowing requirement will rise to Fl 43.8bn in 1991 from Fl 42.7bn in 1990.

The Government will borrow Fl 22.9bn to meet debt repayments due next year and will also tap the market to cover a budget deficit of Fl 20.9bn, the Finance Ministry said. This year, debt repayments are estimated at Fl 20.7bn and the budget deficit at Fl 22bn. By the end of August the Government had raised Fl 26.4bn.

Yesterday the Government suspended its tap issue of 9 per cent 10-year paper which was due to run until early next month. No official reason was given for the suspension, but it is thought that bond prices would have to be lowered for more funds to be raised. So far Fl 3bn have been raised through the issue. In the secondary market the paper is trading at 98.73 for a yield of 9.19 per cent.

■THE Italian Treasury's latest issue of four-year, 12.5 per cent fixed-rate notes (BTP) was 140 per cent subscribed as investors requested a total of L3,600bn of the securities, the Bank of Italy said.

The central bank, which arranged the sale, said it awarded L1,475bn to the public and bought L25bn for its own account.

The BTP notes were sold at 97.90 per cent of par.

Indosuez in M&A joint venture with Blackstone

By George Graham in Paris and Nikki Tait in New York

INDOSUEZ, the French investment banking group, is to create a joint venture specialising in cross-border takeovers between France, Belgium and the US in partnership with Blackstone, the US buy-out and mergers and acquisitions boutique.

Blackstone and Financière Indosuez, the French group's M&A subsidiary, will also exchange minority equity stakes, making Indosuez the second institutional shareholder in Blackstone after Nikko Securities, the Japanese broker.

Mr Patrice Mignon, chairman of Financière Indosuez, said that the agreement formalised an existing partnership, since the two M&A teams had already been working closely together for 2½ years on deals such as the purchase of Bostik, the US glue company, by French chemicals group Orkem or the takeover of Zenith Data Systems by Bull, the French state-owned computer group.

They claim to be currently working jointly on a handful of deals worth about $2bn in total.

"The only other example of French and American companies working hand in hand in this way is Lazard," Mr Mignon claimed.

Blackstone, a private company which was formed five years ago by Mr Peter Peterson, a former chief executive of Lehman Brothers, with various colleagues from the Wall Street investment house, will also invest $50m in a $400m-$500m development capital/buy-out fund being set up by Suez.

Blackstone said that some of the money would come from Blackstone Capital Partners, its existing $850m fund, and that some would be new money raised among its various institutional backers.

Blackstone has links with Nikko Securities of Japan and Hambro Magam, the UK mergers and acquisitions boutique.

Yesterday, Mr Peterson said there were plans to form a further alliance covering the rapidly developing German market. Blackstone said it hoped to have reached an agreement on that area by the end of the year.

Indosuez has previously demonstrated some interest in getting into the UK mergers and acquisitions business in a sizeable way with its abortive offer for Morgan Grenfell, the UK merchant bank which eventually linked up with Deutsche Bank.

However, Mr Mignon said yesterday that Suez was now concentrating on building up its UK operations "internally." He added: "We do not think that any other large merchant bank would fit us well as Morgan Grenfell."

Dresdner Bank moves to expand in E Germany

DRESDNER Bank plans to add about 50 branches to the 107 it already has in East Germany, Reuter reports.

The bank said costs were likely to rise because of the investment involved in setting up the new offices.

But it said Dresdner stood on "a solid foundation of profit and capital assets" that would still ensure a good overall result for 1990.

Dresdner said 35 of the existing branches in East Germany were new ventures set up directly by the bank and the other 72 belonged to the sister company, Dresdner Bank Kreditbank, which emerged from the former East German Staatsbank.

Dresdner takes on about 5,000 new customers in East Germany each day, the bank said.

Japanese SEs revise taxes on derivatives

THE Tokyo, Osaka and Nagoya stock exchanges will revise exchange taxes on stock index futures and options, and on options on government bond futures transactions starting on October 1, Reuter reports from Tokyo.

Exchange officials said all three exchanges would begin charging 0.001 per cent of the contract amount on stock index futures trades and 0.01 per cent on stock index options and on options on bond futures transactions, exchange officials said.

The Osaka exchange will reduce the exchange tax on futures transactions based on a basket of 50 Osaka-listed stocks to 0.001 per cent from 0.01 per cent, an official said.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¼	100¼	-⅛	9.06
ALBERTA PROVINCE 9 3/8 95	600	100⅜	101⅛	-⅛	9.17
AUSTRIA 8 1/2 00	400	93⅛	93⅝	-⅛	9.63
BANK OF TOKYO 8 3/8 96	100	94⅛	95⅛	-⅛	9.62
BELGIUM 9 1/8 92	400	100⅜	101⅛	-⅛	8.70
BFCE 7 3/4 97	150	92⅛	92⅝	-⅛	9.41
BNP 8 5/8 94	300	98⅝	98⅞	-⅛	9.05
BP CAPITAL 9 5/8 93	150	101⅜	102		9.02
CANADA 9 96	1000	99⅝	100	-⅛	9.04
CARCO 9 1/4 96	650	98⅛	98⅝	-⅛	9.59
CCCE 9 1/4 95	500	100⅜	100⅞	-⅛	9.12
COUNCIL EUROPE 8 96	100	94⅛	94⅝	-⅛	9.34
CREDIT FONCIER 9 1/2 99	300	99⅛	99⅝	-⅛	9.62
DENMARK 0 98	250	48⅛	49		9.61
DENMARK 8 1/4 94	150	97¼	97⅝	-⅛	9.11
ECSC 8 1/4 96	193	[illegible]	93⅞	-⅛	9.33
EEC 7 1/4 93	250	96⅛	97⅛	-⅛	8.74
EIB 7 3/4 96	250	93⅛	93⅝		9.26
EIB 10 97	250	103⅛	103⅝	-⅛	9.40
ELEC DE FRANCE 9 98	200	98	98⅝	-⅛	9.36
EUROFIMA 9 1/4 96	100	99⅝	100⅛	-⅛	9.32
EXPORT DEV CORP 9 1/2 98	150	99⅝	100⅛	-⅛	9.51
FINLAND 7 7/8 97	200	91⅞	92⅜	-⅛	9.42
FINNISH EXPORT 9 3/8 95	200	100⅛	100⅝	-⅛	9.27
FORD MOTOR CREDIT 9 1/2 93	300	100⅝	101⅛	-⅛	9.24
GEN ELEC CAPITAL 9 3/8 96	300	99⅝	100⅛	-⅛	9.38
GMAC 9 1/8 96	200	98⅛	99	-⅛	9.46
HALIFAX 9 1/2 93	500	100⅝	101⅛	-⅛	9.10
IBM WORLD TRADE 7 5/8 93	150	95⅝	96⅛	-⅛	9.21
IND BK JAPAN FIN 7 7/8 97	200	91⅝	92	-⅛	9.66
INTER AMER DEV 7 5/8 96	200	92⅛	92½	-⅛	9.40
ITALY 8 1/2 94	1500	98⅛	98⅝	-⅛	9.02
JAPAN DEV BK 8 94	150	96⅝	97⅛	-⅛	9.05
KANSAI ELEC PWR 10 96	350	101⅝	102⅛	-⅛	9.58
LTCB 8 5/8 93	150	98⅞	99⅛	-⅛	9.11
NEW ZEALAND 8 93	100	97¼	98⅛		8.93
NIPPON CRED BK 9 3/4 93	150	101⅜	101⅞	-⅛	9.20
NIPPON TEL & TEL 9 3/8 95	200	100⅜	101⅛		9.13
NORDIC INV BANK 9 93	300	100½	100⅞	-⅛	8.76
OLYMPIA & YORK 8 1/4 96	435	87⅞	89⅞	-⅛	11.19
ONTARIO HYDRO 11 5/8 94	200	106½	107⅛		9.26
OSTER KONTROLLBANK 8 1/8 93	200	98⅝	99		8.72
PRUDENTIAL RLTY SECS 0 99	365 216	45⅛	46⅛		9.85
QUEBEC HYDRO 9 3/4 98	150	99⅝	100⅛	-⅛	9.82
QUEBEC PROV 9 98	200	96⅛	96⅝	-⅛	9.73
SAINSBURY 9 1/8 96	150	98⅛	98⅝	-⅛	9.54
SAS 10 99	200	99	99⅞	-⅛	10.16
SBAB 9 1/2 95	500	100⅝	101	-⅛	9.27
STATE BK STH AUST 9 1/4 93	100	100⅛	100⅞		9.08
SUMITOMO BK CAP MKT 9 3/8 93	150	100⅜	101⅛		9.07
SWEDEN 8 1/8 94	150	96⅝	97⅛	-⅛	9.16
SWEDISH EXPORT 9 5/8 93	100	101⅞	102⅛		8.75
TOKYO METROPOLIS 8 1/4 96	200	94⅞	95⅜	-⅛	9.38
WORLD BANK 8 3/8 99	1500	94⅛	94⅝	-⅛	9.57
WORLD BANK 8 3/4 97	1500	98⅛	98⅝	-⅛	9.35
XEROX CORPN 8 3/8 96	100	92½	93⅛	-⅛	10.10

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96⅝		9.08
AUSTRIA 6 98	400	83	83⅛	-⅛	9.22
CNT 6 1/8 98	200	82⅛	83		9.24
CREDIT FONCIER 6 3/4 99	500	85⅛	85⅝	-⅛	9.32
DEUTSCHE BK FIN 5 5/8 96	750	84⅛	84⅝	-⅛	9.17
EEC 5 3/8 93	300	92⅝	92⅞	+⅛	9.05
EIB 6 1/8 96	300	86⅛	86⅝		9.29
EIB 6 7/8 95	300	90⅛	90⅝	-⅛	9.36
EUROFIMA 6 1/4 98	400	83⅛	83⅝		9.25
FELDMUEHLE FINANCE 8 99	200	93⅛	93⅝	-⅛	9.10
FERRO DEL STAT 5 3/8 93	500	92⅛	92½		9.07
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅝	+⅛	9.28
INTER AMER DEV 7 1/4 99	300	89	89	-⅛	9.12
LUFTHANSA INT FIN 5 7/8 98	500	82	82⅛		9.27
QUEBEC HYDRO 6 3/4 99	300	85⅛	85⅝		9.25
SWEDEN 6 1/8 98	300	83⅛	83⅝		9.24
WORLD BANK 0 15	2000	13½	13⅝	+⅛	8.25
WORLD BANK 5 3/4 96	300	85⅝	86	-⅛	9.18
WORLD BANK 7 1/8 95	500	93½	93⅞		8.98

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	83	84	-1	7.68
AUSTRIA 4 5/8 98	100	84½	85½		7.41
COUNCIL EUROPE 4 3/4 98	250	84	85		7.65
EEC 5 1/2 00	100	87	88		7.35
EIB 5 3/4 93	100	95	96		7.61
FINLAND 5 3/8 95	150	94⅛	95½	+¼	6.61
GENERAL MOTORS 7 1/2 95	100	102	102½	+1	6.97
JAPAN DEV BK 5 1/2 94	100	94	95	-½	7.55
MOUNT ISA FINANCE 5 3/4 94	100	87	88	-½	10.18
NEW ZEALAND 4 7/8 99	200	82	83	-½	7.88
POLLY PECK INTL FIN 6 1/4 96	100	70	73	-2	14.57
QUEBEC HYDRO 5 08	100	75	76		7.63
SKANDINAVISKA ENSK 6 1/2 95	100	96½	97½	-½	7.46
WORLD BANK 6 1/4 92	100	97½	98		7.59
WORLD BANK 7 1/4 92	100	100	100½		7.23

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	89⅛	89⅝		8.63
CANADA 4 3/8 92	80000	93⅛	93⅝		8.55
CREDIT FONCIER 5 1/4 94	20000	88⅛	88⅝	-⅛	8.65
DENMARK 7 95	40000	94⅛	94⅝	-⅛	8.51
EIB 4 5/8 94	40000	88⅛	88⅝		8.56
GENERAL ELECTRIC 5 3/4 93	35000	93⅞	94⅛		8.51
INTER AMER DEV 7 1/4 00	30000	94⅛	94½	-⅛	8.12
ITALY 5 3/4 92	150000	96½	96½		8.63
KANSAI ELEC PWR 4 5/8 94	60000	87⅛	88		8.70
NIPPON TEL & TEL 5 7/8 96	50000	89⅛	89⅝	-⅛	8.24
NORWAY 5 1/8 95	50000	87⅞	88⅛		8.43
SWEDEN 5 5/8 95	20000	88⅞	89⅛	-⅛	8.47
WORLD BANK 6 3/4 00	50000	91½	91⅛	-⅛	8.05

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93	+⅛	9.84
KREDIETCORP 7 93 LFr	1000	93	94	+⅛	9.89
WORLD BANK 8 96 LFr	1000	93	94	+⅛	9.66
AMRO BANK 6 1/4 92 Fl	150	94⅛	95⅛	-⅛	9.60
RABOBANK 5 3/4 93 Fl	150	92⅛	92⅝		9.47
ALBERTA PROVINCE 10 92 C$	500	98	98⅝		11.22
BCE INC 9 5/8 93 C$	300	95⅛	95⅝	-⅛	11.72
BELL CANADA 10 5/8 99 C$	150	93	93⅝	-⅛	11.93
BRITISH COLUMBIA 9 1/4 93 C$	150	95⅛	95⅝	-⅛	11.58
EIB 10 1/8 98 C$	130	92	92⅛	-⅛	11.76
FORD CREDIT CANADA 10 94 C$	100	94⅛	95	-⅛	11.83
GENERAL ELECT CAP 10 1/4 93 C$	175	96⅝	97⅛	-⅛	11.52
MONTREAL TRUSTCO 8 1/2 92 C$	100	94⅛	95	+⅛	12.62
ONTARIO HYDRO 10 7/8 99 C$	500	94⅝	95⅛	-⅛	11.83
QUEBEC PROV 10 1/2 98 C$	200	92⅛	92⅝	-⅛	12.02
ROYAL TRUSTCO 10 1/4 93 C$	100	95⅛	96⅛	-⅛	12.20
SWEDEN 9 3/4 93 C$	250	96⅛	96⅝	-⅛	11.42
AUSTRIA 7 3/8 93 Ecu	125	92⅛	93⅛		10.81
CNT 7 3/8 93 Ecu	250	91⅛	92⅛		10.95
CREDIT LYONNAIS 9 96 Ecu	125	92⅛	93⅛		10.75
DENMARK 7 5/8 96 Ecu	250	87⅛	87⅝	-⅛	10.72
EEC 7 5/8 94 Ecu	200	91⅛	92	-⅛	10.67
EIB 10 97 Ecu	1125	97⅛	97⅝	-⅛	10.50
ITALY 10 3/4 00 Ecu	1000	100⅛	101	-⅛	10.60
SWEDEN 7 1/2 93 Ecu	250	91⅛	92⅛		10.69
BMW FINANCE 14 1/2 92 A$	100	100⅝	101⅛	-⅛	13.87
COUNCIL EUROPE 13 93 A$	50	99⅝	100	-⅛	13.21
EKSPORTFINANS 12 3/8 95 A$	75	97⅛	97⅝		13.11
FORD CRED AUST 13 93 A$	50	97⅝	98⅛		14.16
ICI 15 1/2 92 A$	100	101⅛	102⅛		14.12
MCDONALDS CANADA 15 95 A$	100	102⅛	102⅝	-⅛	14.30
NAT AUSTRALIA BANK 14 3/4 94 A$	150	102	102½		13.88
STATE BK NSW 14 1/4 99 A$	100	99⅛	99⅝	+⅛	14.37
VOLKSWAGEN INTL 15 94 A$	100	102⅝	103⅛	-⅛	13.94
ABBEY NATL TREAS 13 3/8 95 £	100	100	100⅛		13.31
BARCLAYS JERSEY 9 1/2 93 £	250	92	92⅛		13.33
BRITISH GAS 12 3/4 95 £	150	99⅛	100		12.81
DEUTSCHE BK FIN 11 94 £	225	94⅛	95		13.03
EIB 10 97 £	300	87⅛	88		12.90
FORD CREDIT FUNDING 9 5/8 93 £	50	91⅛	91⅞		13.82
INTER AMER DEV 11 3/8 95 £	75	95⅛	95⅝		12.70
ITALY 10 1/2 14 £	400	85⅛	85½	+⅛	12.44
LAND SECS 9 1/2 07 £	200	73⅛	73⅝		13.59
LEEDS PERMANENT 9 1/4 93 £	50	90⅝	91⅛		13.57
NORWAY 10 1/2 94 £	200	93⅛	93⅝		12.97
ROLLS-ROYCE 9 5/8 93 £	150	90⅞	91⅛		13.74
SAINSBURY 10 7/8 93 £	100	94⅛	95⅛		13.67
SKANDINAVISKA ENSK 13 1/8 95 £	100	99⅛	99⅝	+⅛	13.33
WORLD BANK 11 1/4 95 £	100	95⅛	95⅝		12.65
ABBEY NATIONAL 0 96 NZ$	100	44	45	+⅛	14.55
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	100	101	+1⅛	13.12
AIDC 7 7/8 93 FFr	600	92⅛	92⅝		10.96
CREDIT LYONNAIS 10 95 FFr	2000	96⅛	96⅝	-⅛	11.07
EURATOM 7 5/8 98 FFr	500	82⅛	82⅝	-⅛	11.17

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.95	100.03	15.0000
ALBERTA PROVINCE 1/32 93	500	99.94	100.04	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.88	99.93	15.0800
BANCO ROMA 0 03 01	200	95.25	95.72	8.4675
BANCO SANTO SPIRITO 93	200	99.41	99.51	8.6250
BELGIUM 1/16 97 DM	500	100.00	100.10	8.8125
BFCE -0.02 96	350	99.75	99.85	8.4175
BNP 05	300	98.15	98.31	8.3750
BRITANNIA 1/10 96 £	150	99.90	99.95	15.1000
CITICORP 1/4 98	500	92.31	93.13	8.3125
CITIZENS FED 0.15 96	100	99.27	99.78	8.2125
COMMERZBK O/S FIN 93	200	99.50	99.60	7.9375
DENMARK -1/8 96	1000	99.02	99.19	8.0000
FERRO DEL STAT 94	200	100.24	100.34	8.2500
HALIFAX 1/10 94 £	200	100.02	100.07	15.1000
MITSUI FIN ASIA 1/8 96	100	99.92	100.02	8.1875
MORGAN (JP) 1/4 97	250	99.43	99.87	8.5000
NAT WEST FIN 3/16 05	400	96.39	96.89	8.8125
NEW ZEALAND 93	500	99.39	99.50	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.29	99.90	8.1625
PORTUGAL 0.05 93	700	99.90	100.00	8.4875
QUEBEC PROV 01	300	97.33	97.46	8.5000
RENFE 98	500	99.61	99.72	8.5000
SOCIETE GENERALE 96	300	98.99	99.09	8.0000
UNITED KINGDOM -1/8 96	4000	99.68	99.71	8.1250
WELLS FARGO 1/16 94	150	97.38	98.12	8.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	101⅛	102⅛	+26.65
ASDA-MFI 4 3/4 02 £	100	1.64	106	107	+51.17
BURTON GROUP 4 3/4 01 £	110	3.15	104⅞	106⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	96⅝	97⅝	+19.41
GOODYEAR TIRE 6 7/8 03	150	80⅛	69	70	
GRACE (WR) 6 1/4 02	150	42⅛	77⅞	78⅞	+38.13
GRAND MET 6 1/4 02 £	100	6.58	88⅛	89⅛	+2.56
HAWLEY 6 02 PREF	400	1.91	106½	107⅝	+14.26
HILLSDOWN 4 1/2 02 £	150	4.16	99½	100½	+62.32
INTL PAPER 5 3/4 02	200	68½	84½	85½	+25.83
LAND SECS 6 3/4 02 £	84	6.72	77⅛	78⅛	+9.29
METAL BOX 5 3/4 02 £	65	1.93	82⅞	86⅝	+2.22
MITSUBISHI BK 1 3/4 02	300	2727.1	71½	73½	-4.47
OGDEN 6 02	85	39.077	76	77⅛	+54.28
PACIFIC DUNLOP 6 3/4 97	75	3.749	105	106	+1.28
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	77⅞	78⅛	
THORN EMI 5 3/4 04 £	103	7.45	99⅞	100⅛	+21.43

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Autumn new issue season makes a cautious start

By Tracy Corrigan

THE flurry of issuance which usually marks the start of autumn in the Eurobond market is failing to materialise, as investors maintain a cautious stance in the face of the crisis in the Gulf.

The handful of issues launched on Tuesday reflected no real pattern of demand.

Hokuriku Bank, became the latest in the recent series of Japanese banks to raise subordinated debt to shore up capital.

Hokuriku, a regional bank which is unrated, is paying 10 basis points more for its subordinated funds than some of the long-term credit banks and city banks which have tapped the *market in the last few* weeks.

Hokuriku's 10-year floating-rate notes pay interest at 35 basis points above the three-month London interbank offered rate, rising to 45 basis points after five years.

The rash of Japanese bank subordinated bank paper is likely to push borrowing costs up further, bankers said.

Further supply in the Canadian dollar sector is beginning to stretch demand for some deals, but traders said American Express Credit Corporation's three-year deal will be placed slowly but surely.

The AmexCo name is well-liked by retail investors, for whom it is "entirely distinct from US bank names," one trader said, and the issue was considered fairly priced, at an all-in spread of 95 basis points above three-year Canadian government bonds.

Crédit Local de France, the French agency, added a further Ecu50m to its outstanding Ecu350m deal due 1995.

The new issue offered little pick-up over the outstanding issue, but the lead manager reported firm demand from the Far East. The deal was quoted at less 1⅞ bid, at a full discount to fees.

The prospects for an acceleration of new issue business soon appear slim, although several deals are expected this week.

Swiss Bank Corporation will launch its $150m three-year transaction for Petroleos Mexicanos, the Mexican state oil company, later today, but that issue has already been largely pre-placed.

SBC said it has already placed its third of the deal.

There has been some interest in Switzerland, but the bulk of demand was from the US and Japan. The bonds will be priced to yield around 11¾ per cent, which currently represents a yield spread of 319 basis points.

Elsewhere, the World Bank is expected to tap the Euroyen sector, with a Y25bn to Y30bn five-year deal, with LTCB International tipped to launch the deal.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hokuriku Bk Ltd(h)†♦	200	(h)	100	2000	30/15	Goldman Sachs Int.
Okobank(g)♦♦	100	(g)	100	2000	-	Merrill Lynch Int.
Daiwa Kosho Lease(b)#♦	180	4⅝	100	1994	2¼/1½	Daiwa Europe
Nippon Paint Co.(c)#♦	150	4⅝	100	1994	2¼/1½	Nikko Secs.
CANADIAN DOLLARS						
American Express Cr.Corp(a)♦	100	11¼	101.175	1993	1⅜/⅞	Lehman Bros.Int.
D-MARKS						
ASLK-CGER(d)★★†♦	50	(d)	100	2001	-	Trinkaus & Burkhardt
ECUs						
Credit Local de France(e)♦	50	10¼	100⅞	1995	1⅞/1⅝	IBJ Int.
YEN						
Kirin Int.Finance(f)★★†♦	7bn	(f)	101⅝	1995	1⅞/1¼	Yamaichi Int.

★★Private placement. §Convertible. †Floating rate note. #With equity warrants. ♦Variable rate notes. ♦Final terms. a) Non-callable. b) Coupon was indicated at 5⅛%. Exercise premium fixed at 2.53%. c) Coupon was indicated at 5⅛%. Exercise premium fixed at 2.53%. d) Coupon pays 6-month Libor plus ⅛% for first 6 years, then 6-month Libor plus ¼% thereafter. Callable after 6th year. e) Fungible with existing deal 40 days after close. New total Ecu400mn. f) Reverse FRN issue. Coupon pays 10% for first 2 years, then 14% minus 6-month Libor thereafter. Non-callable. g) Coupon pays initial margin of 3-month Libor plus 22.5bp. Alternative margins are Libor plus 55bp, for the first 5 years, then Libor plus 65bp thereafter. Non-callable. h) Subordinated FRN issue, in the form of Subordinated Loan Participation Certs.via BNP S.A & Co.,Deutschland OHG. Coupon pays 35bp over 3-month Libor for first 5 years, then 45bp over 3-month Libor, thereafter. Callable at par on 28/9/95.

RTC abandons thrift asset auction

US Federal regulators have abandoned an international auction of hundreds of millions of dollars of property taken on from bankrupt savings and loan companies, AP-DJ reports.

Resolution Trust, set up to dispose of assets, said the Auction Co of America, which was to conduct the auction, did not meet terms of its agreement.

The offering was scheduled for November 15. Resolution Trust still plans to sell the properties.

Mr Jim Gall, chairman of Miami-based Auction of America, accused the Resolution Trust of mishandling the auction preparations. He said the agency had pulled at least four properties from the sale and had not established minimum prices on properties. Mr Gall said his company had spent nearly $2m over the past four months in preparation for the event, about the sum it was required to spend.

The satellite auction of 71 properties valued at about $300m was to have taken place in Dallas and be televised to bidders in nine US cities, London and Tokyo.

US groups to share information on members

By Barbara Durr in Chicago

SIGNALLING greater concern about the compliance of securities and futures brokerages with capital rules, 23 US stock exchanges and related organisations have agreed to share information on their member firms.

The agreement, announced yesterday, came through the Intermarket Financial Surveillance Group, which was formed after the October 1987 crash to enhance co-operation across markets.

Under the accord, US exchanges and other self-regulatory organisations, such as the National Futures Association and the National Association of Securities Dealers, will share information concerning mutual member firms that are considered at risk of falling below the "early warning" capital requirements prescribed by either the exchanges or the federal Government.

The information will be collected by individual exchanges and organisations as part of their own self-regulatory programmes.

The sharing of information was a recommendation by the Brady Commission and other groups that studied the 1987 market break.

The agreement, which is effective immediately, comes in tandem with efforts by the federal regulators of the securities and futures industries to seek greater authority from the US Congress to examine the books and records of brokerage companies' parent firms regarding capital rules compliance.

Currently, the regulatory agencies and the self-regulating exchanges can only look at the capital of registered member firms.

The books of their holding companies are off limits.

The collapse of Drexel Burnham Lambert, the brokerage house, and Stotler Group, the futures firm, has helped to stir action on this issue, given that in both cases it is believed that had holding company records been examined sooner, the troubles might have been detected and stopped.

Finding true value in troubled times

Simon London analyses a worldwide debate in securities valuation

In the current economic climate, valuations of anything from *property assets* to holdings in unquoted companies are both sensitive and profoundly difficult.

In particular, the fall in world stock and bond markets has focused attention on the valuation of securities. Regulators are asking whether securities should be valued at what they cost to buy or what they might realise in the open market.

Last week Mr Richard Breeden, US Securities and Exchange Commission chairman, called for mandatory "mark to market" valuation of securities to be imposed by accounting authorities on US financial institutions.

Currently US banks and savings and loans companies can value investment securities at cost, which can effectively divorce published accounts from realisable values.

The value of securities holdings shown on the balance sheet can be a "gross distortion" of the true position, said Mr Breeden.

This is more than a cosmetic problem for financial institutions, because portfolio holdings of securities are a key balance sheet item in determining international capital adequacy requirements.

Japanese financial institutions are perhaps under most pressure from the falling value of their securities portfolios.

Under Bank of International *Settlement* rules, 45 per cent of securities holdings qualify as capital: and the Nikkei share price index now stands some 40 per cent below its peak at the end of 1989.

Richard Breeden: in favour of 'mark to market' valuation

Earlier this week, three leading Japanese banks were placed on the credit review list of Moody's Investors Service, the US credit ratings agency, on concerns about falling asset values.

This month alone Japanese banks have issued $1.8bn of subordinated paper to bolster depleted capital bases.

At present Japanese financial institutions can also value holdings of securities at cost, with any unrealised paper profit taken into a balance sheet revaluation reserve.

However, this revaluation reserve is hidden, so the size of paper profit is undisclosed. In good times this allows banks to boost declared profit by selling securities into the open market *and realising their paper profit* – without an outside observer knowing how much has been realised.

In bad times the extent of paper losses are equally obscure.

There is as yet little pressure from Japanese accounting bodies for a wholesale move towards "mark to market" valuation of securities.

However, even in Japan the volatility of markets is causing regulators to focus on quality of disclosure.

Of the twelve big Japanese "city banks" only Tokai and Sumitomo mark to market on their holdings of listed government securities, and none of the twelve value unlisted debentures at market values.

This makes it possible for the banks to "dress" their results by exchanging bonds trading below par value for debentures bought at above par – so no capital loss results.

Last week the Bank of Japan announced plans to make all banks value both listed Japanese government bonds and unlisted debentures at market value.

In the UK practice is split, even in some cases within individual financial institutions. Some securities are valued at cost and some on a "mark to market" basis.

The UK regulatory bodies are keen for the situation to be resolved, and a *Statement* of Recommended Accounting Practice (SORP) issued yesterday by the British Bankers Association called for "mark to market" valuation to be introduced across the board *except in very specific circumstances.*

Only heavy lobbying by the banking sector stopped the Government from introducing mark to market valuations by law, under the the European Commission Bank Accounts *directive.*

UK companies outside the banking sector are under equal pressure to adopt market valuations of securities holdings. The final act of the Accounting Standards Committee was to issue an Exposure Draft on accounting for investments calling for widespread use of mark to market valuations.

Under current practice securities held as current assets are valued in the accounts at the lower of cost and market value, as dictated by UK company law.

But paper profit is not necessarily recognised, even as a balance sheet reserve, until the securities are sold.

This gives company management a good deal of discretion in deciding when to dispose of securities and reveal the size of the gain.

The ASC exposure draft aims to tie company accounts to the the market position, whether the profit has been crystallised or not.

However, while mark to market valuation of securities is being more rigorously enforced in the UK, US and Japan the practicalities of determining a correct market price in a falling market remain.

Secondary market prices on a portfolio of illiquid Eurobonds may be at best misleading. And experience shows that attempts to unload a long line of equity into a nervous market can realise substantially less than the quoted price.

This is a problem to exercise the minds of auditors rather than regulators.

Chairman of Fannie Mae to stand down in January

THE Federal National Mortgage Association chairman and chief executive officer Mr David Maxwell will retire when his contract expires on January 31, Reuter reports from Washington.

The board of directors has elected Mr James Johnson, currently vice chairman, to succeed Mr Maxwell.

"I have long believed that if, after 10 years as head of a large corporation, you have accomplished what you set out to do, you should make way for fresh leadership," Mr Maxwell said yesterday.

Fannie Mae has completed 10 consecutive quarters of record earnings. In the most recent second quarter the Congressionally chartered company earned $296.6m, against $193m a year ago. The company said Mr Maxwell had turned Fannie Mae around from losing more than $1m a day.

Swedish banker to join EBRD as Treasury head

By Tracy Corrigan

MR ANDERS Ljungh, head of international activities at the Swedish bank Svenska Handelsbanken, has been appointed vice president, finance, of the European Bank for Reconstruction and Development. The EBRD, set up to finance eastern Europe's economic regeneration, will start operations early next year.

The bank will have Ecu10bn of paid-in capital, 2.3 per cent of which is contributed by Sweden.

Mr Ljungh will be in charge of Treasury, accounting controls and risk management. He will take over from Mr Clare Marshall, Treasurer of Canada's Export Development Corporation, who is currently on secondment to the EBRD for six months, charged with setting up the Bank's treasury operation.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Sep 18 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Sep 17 Index No.	Fri Sep 14 Index No.	Thu Sep 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	690.83	-1.8	16.24	6.78	7.54	25.75	703.83	711.57	724.28	978.80
2	Building Materials (26)	846.25	-2.4	17.91	7.15	6.88	33.68	866.99	875.94	893.33	1173.09
3	Contracting, Construction (36)	1062.49	-1.4	20.84	7.71	6.27	42.06	1078.03	1084.11	1100.44	1575.43
4	Electricals (10)	1878.29	-2.0	14.97	7.16	8.17	64.89	1916.02	2010.05	2043.04	2905.51
5	Electronics (27)	1531.40	-0.7	10.81	5.25	12.53	55.67	1542.63	1555.59	1584.44	2165.04
6	Engineering-Aerospace (8)	412.74	-2.7	16.31	5.83	7.37	10.79	424.22	427.04	430.85	0.00
7	Engineering-General (46)	390.45	-2.1	15.27	6.65	7.89	14.87	398.76	407.22	410.87	0.00
8	Metals and Metal Forming (6)	403.28	-1.5	28.62	8.34	4.25	17.02	409.47	411.83	415.25	520.65
9	Motors (13)	286.45	-2.4	18.74	8.25	6.21	13.91	293.44	297.64	300.14	364.53
10	Other Industrial Materials (23)	1170.07	-2.0	14.71	6.99	7.85	40.92	1194.19	1200.73	1235.52	1788.92
21	CONSUMER GROUP (178)	1161.47	-1.1	10.62	4.40	11.64	26.11	1174.06	1167.86	1182.32	1367.59
22	Brewers and Distillers (22)	1425.99	-1.9	10.78	4.09	11.23	30.61	1452.92	1440.26	1467.40	1510.80
25	Food Manufacturing (20)	990.94	-1.0	11.76	4.93	10.49	24.47	1000.80	996.89	1009.94	1186.72
26	Food Retailing (16)	2400.41	+0.1	9.75	3.44	13.01	45.00	2397.98	2382.26	2412.16	2624.21
27	Health and Household (16)	2311.48	-1.5	7.64	3.04	15.57	29.07	2347.24	2316.04	2346.47	2598.73
29	Leisure (32)	1166.30	-1.1	12.82	5.35	9.44	36.39	1178.94	1176.55	1188.05	1805.59
31	Packaging & Paper (12)	486.40	-0.5	13.23	7.15	9.28	20.57	488.78	495.16	504.66	608.41
32	Publishing & Printing (16)	3016.95	-0.7	12.06	6.22	10.40	117.68	3038.33	3061.23	3092.70	3781.88
34	Stores (33)	747.69	-0.7	11.90	5.06	10.91	17.19	752.96	753.15	756.66	885.36
35	Textiles (11)	404.10	-0.7	14.92	8.92	8.48	19.76	406.91	410.56	411.56	585.99
40	OTHER GROUPS (107)	974.18	-2.2	13.03	6.12	9.29	30.13	995.89	999.43	1016.97	1205.75
41	Agencies (16)	1128.85	-2.9	9.06	3.48	13.34	20.34	1162.67	1184.59	1219.76	1556.82
42	Chemicals (24)	980.72	-2.0	13.52	6.78	8.74	44.26	1001.23	992.47	1019.79	1324.49
43	Conglomerates (15)	1279.47	-2.9	13.14	7.80	9.14	34.46	1317.53	1320.79	1347.73	1724.39
44	Transport (13)	1860.59	-2.1	13.06	5.66	9.71	50.29	1901.01	1908.84	1912.74	2431.42
46	Telephone Networks (2)	1099.50	-3.0	12.17	5.12	10.69	26.09	1133.01	1147.94	1165.78	1167.78
47	Water (10)	1975.17	+0.7	15.61	6.86	7.20	68.12	1960.70	1954.80	1943.54	0.00
48	*Miscellaneous (27)*	1482.03	-1.3	14.19	6.12	8.09	61.26	1501.33	1497.40	1533.39	1950.29
49	INDUSTRIAL GROUP (480)	989.93	-1.6	12.61	5.46	9.71	28.08	1005.90	1006.99	1022.32	1237.55
51	Oil & Gas (20)	2454.65	......	10.16	5.10	12.38	72.16	2453.28	2471.07	2489.16	2239.15
59	500 SHARE INDEX (500)	1108.68	-1.3	12.20	5.40	10.13	31.65	1123.47	1125.83	1141.50	1322.51
61	FINANCIAL GROUP (107)	662.24	-2.1	-	7.17	-	29.35	676.40	675.94	687.50	810.21
62	Banks (9)	696.79	-3.2	23.46	8.24	5.50	41.50	719.02	714.91	731.48	824.35
65	Insurance (Life) (7)	1298.43	-1.5	-	5.90	-	37.79	1318.35	1311.39	1325.76	1218.36
66	Insurance (Composite) (6)	565.64	-1.7	-	7.50	-	24.94	575.20	569.19	581.41	667.05
67	Insurance (Brokers) (8)	788.62	-1.6	10.84	8.15	12.16	39.82	801.41	813.31	822.29	984.73
68	Merchant Banks (7)	344.33	-1.2	-	5.90	-	11.93	348.52	354.44	362.25	398.18
69	Property (47)	885.67	-1.2	8.71	5.54	15.23	23.74	896.02	910.03	916.00	1348.03
70	Other Financial (23)	245.03	-0.7	11.08	7.25	11.86	9.88	246.83	250.65	252.90	362.77
71	Investment Trusts (66)	1027.27	-1.3	-	3.84	-	23.74	1040.42	1048.11	1061.16	1272.51
91	Overseas Traders (5)	1230.75	-1.9	11.72	7.49	10.15	59.65	1254.89	1270.02	1278.86	1469.29
99	ALL-SHARE INDEX (676)	1001.50	-1.4	-	5.61	-	30.76	1015.99	1017.95	1032.47	1198.20

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 17	Sep 14	Sep 13	Sep 12	Sep 11	Year ago
FT-SE 100 SHARE INDEX‡	2064.0	-30.3	2100.5	2061.1	2094.3	2093.8	2127.1	2142.3	2144.3	2361.5

FIXED INTEREST

	PRICE INDICES	Tue Sep 18	Day's change %	Mon Sep 17	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	116.06	+0.07	116.58	0.60	9.23
2	5-15 years	120.20	+0.10	120.23	0.16	9.80
3	Over 15 years	120.79	+0.15	120.61	-	9.84
4	Irredeemables	139.21	-0.29	139.62	-	8.85
5	All stocks	120.69	+0.09	120.88	0.30	9.71
	Index-Linked					
6	Up to 5 years	151.29	+0.02	151.27	-	2.46
7	Over 5 years	137.68	+0.07	137.58	-	3.12
8	All stocks	138.59	+0.06	138.50	-	3.06
9	Debentures & Loans	99.25	-	99.25	-	8.62
10	Preference	73.58	+0.01	73.58	-	4.56

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 18	Mon Sep 17	Year ago (approx.)
	British Government				
1	Low	5 years	11.06	11.05	9.75
2	Coupons	15 years	11.06	11.05	9.35
3		25 years	11.06	11.05	9.26
4	Medium	5 years	12.14	12.16	10.73
5	Coupons	15 years	11.58	11.59	9.76
6		25 years	11.28	11.28	9.38
7	High	5 years	12.29	12.32	10.84
8	Coupons	15 years	11.85	11.87	9.96
9		25 years	11.60	11.60	9.54
10	Irredeemables		11.15	11.12	9.31
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.70	4.69	3.12
12	Inflation rate 5%	Over 5 yrs	4.34	4.34	3.53
13	Inflation rate 10%	Up to 5yrs	3.45	3.44	2.25
14	Inflation rate 10%	Over 5 yrs	4.14	4.14	3.35
15	Debs & Loans	5 years	13.97	14.05	13.17
16		15 years	13.07	13.06	12.02
17		25 years	12.73	12.74	11.46
18	Preference		12.92	12.92	10.33

‡Opening index 2100.5; 9 am 2094.2; 10 am 2081.0; 11 am 2079.6; Noon 2075 8; 1 pm 2070.2; 2 pm 2062.33; 3 pm 2068.3; 4 pm 2068.9; 4.10 pm 2065.8; (a) 8.30am (b) 1.40pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	11	30
Corporations, Dominion and Foreign Bonds	5	0	17
Industrials	130	688	747
Financial and Properties	42	315	384
Oils	22	20	47
Plantations	0	2	8
Mines	26	50	83
Others	56	59	126
Totals	337	1,145	1,442

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	111	103	Abbey Leisure 10p	105	-2	R4.7	3.3	6.1	6.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

- First Dealings Sept. 17
- Last Dealings Sept. 28
- Last Declarations Dec. 27
- For settlement Jan. 7

For rate indications see end of London Share Service

Calls in Cannon Street Invs., Conroy Pet., Iverna West and Nat-West. Bank. Put in P. & O. Put and call in Saatchi & Saatchi.

LONDON TRADED OPTIONS

TURNOVER ON the London Traded Options Market topped 50,000 for the first time this month as buyers moved in to hedge against the downward trend in the underlying equity market.

Analysts said the 52,289 volume contrasted encouragingly with a mediocre turnover of 380.5m shares in the underlying equity market and suggested that dealers were beginning to use the Options market independently of equities rather than merely as a follower.

Mr Steve Lindsey of UBS Phillips & Drew said "There was good two-way business. Dealers were hedging with an unusual amount of put buying and the institutions were underwriting stocks at lower levels."

The FT-SE options saw dealing in 13,551 lots (9,255 puts and 4,296 calls) with the heaviest trade in the October series.

Interest in the equities was focused on the major blue chip companies – Hanson, Rolls-Royce, BT and British Gas – as worried investors concentrated on heavyweight defensive issues.

Hanson was the top trader with a turnover of 5,737 and BP came in second with a volume of 3,475 lots as James Capel closed out its recent so-called "war spread".

Business in the Liffe increasingly led the underlying equity index. The September FT-SE contract closed at 2,063 – a discount of 2 with fair value estimated at between 4 and 7 – on a large turnover of 7,081. A total of 1,577 December contracts were traded.

Trading was helped by positive news from Kingfisher but hit by panic selling as the September Future crashed through the 2060 barrier when depressing news came through about the US budget deficit.

A recovery on Wall Street prompted a short rally but the decline continued and the September issue ended 35 points down. Analysts estimated that that much of the trade in the September contract was arbitraging – dealers taking advantage of the parity levels by buying stock and selling Futures.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*439)	420	47	62	78	3½	6½	13
	460	17	36	52	12	23	28
	500	5	19	33	43	47	50
ASDA (*115)	100	18	23	-	2	4	-
	110	9	16	20	3½	6½	8
	120	4	11	15	9	12	14
Brit. Airways (*159)	140	21	30	29	2	4	7
	160	6	12	17	8	13	14
	180	2	5½	9	25	26	27
Utd. Biscuits (*321)	300	25	37	43	4	9	13
	330	6	19	26	20	24	27
	360	2	8	14	45	45	45
Unilever (*605)	600	25	52	67	16	28	35
	650	7	28	44	52	57	60
	700	3	13	26	105	105	105
Ultramar (*359)	330	35	52	62	3	10	13
	360	16	33	43	12	18	25
	390	4	21	28	35	37	40

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
212ay Nat. (*200)	200	13	22	29	1	4½	9
	220	1	12	17	9	14	17
Amstrad (*57)	50	8	11	14	½	2½	4
	60	1	5	8	4½	7	8½
Barclays (*316)	300	-	35	48	-	9	14
	330	1	17	27	16	24	31
Blue Circle (*189)	200	1	13	20	13	17	20
	220	1	6	12	34	34	34
British Gas (*217)	200	18	27	31	1	4½	6½
	220	1½	13	19	4½	11	13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Iceland improves 16% to £18m but shares fall 15p

By David Owen

ICELAND FROZEN Foods, the freezer centre chain which more than doubled in size in January 1989 with the takeover of the rival Bejam group, reported a 16 per cent improvement in interim profits in spite of sharply higher interest costs.

The results were broadly in line with expectations, but the shares slipped 15p in the falling market to 290p. The Clwyd-based group expressed the belief that the full-year outcome would show "encouraging progress."

All told, pre-tax profits for the six months to June 30 advanced to £17.6m (£15.1m) on turnover ahead about 5 per cent to £339.1m (£321.9m).

Operating profit was up more than 32 per cent to £23.5m. Iceland attributed the margin improvement in part to cost savings.

"All the synergy benefits from Bejam are now starting to come through," said Mr Malcolm Walker, chairman and chief executive.

Malcolm Walker – synergy benefits from Bejam are starting to work through

Interest costs, net of capitalised interest of £527,000 (£302,000), rose markedly to £5.9m (£2.7m). The group said that year-end gearing was now likely to approximate to 70 per cent against 60 per cent previously forecast. This was due to the probable failure to complete £9m-£10m of anticipated property disposals by the year-end.

Appliance sales, which account for between 5 and 6 per cent of overall turnover, were "affected by the adverse economic climate", although the group said that freezer sales had been maintained and it had therefore increased its share of a contracting market. Mr Bernard Leigh, finance director, said: "55-60 per cent of people who buy an appliance from us also take our five-year maintenance contract."

The group said that 13 new stores, including two relocations, were opened during the first half and that 35 were "already committed" for 1991. A total of 88 Bejam refits were scheduled to be completed by late November.

"We are likely to get better sales growth from the Bejam refits in the second half than from the core Iceland stores," Mr Leigh said. He added that the cost of each refit ranged from £100,000 to £300,000.

Fully diluted earnings per share advanced to 11.86p from 9.92p in 1989. An interim dividend of 2.3p (2p) is declared.

● COMMENT

Time was when Iceland, whose initial 1984 offer for sale was 113 times oversubscribed, was regarded as a golden stock. But the City's ardour was cooled in the aftermath of the £227m Bejam acquisition. Yesterday's share price reaction was indicative of the extent to which residual doubts remain as to the wisdom of that investment. The other related worry is the group's debt-load, which is not coming down as fast as hoped – the legacy of the moribund commercial property market. All in all, the prospective multiple of about 11, assuming full-year profits of £39m-£40m, fairly balances the impact of these two negatives against the impressiveness of the company's overall track record. It looks like the group will have to get used to trading at something of a discount to the sector.

Reuters buys Uplink for satellite link service

By Hugo Dixon

REUTERS has acquired Uplink, one of seven companies licensed to compete with British Telecom and Mercury Communications in the satellite communications market.

Uplink was previously owned by a consortium which included Granada, Megasat and Swedetel. It was licensed to provide one-way satellite communication services within the UK and Europe.

Reuters originally bid for such a license two years ago but was rebuffed on the grounds that it was only planning to use it for its own purposes and not to provide a commercial service.

The satellite communications market has been slow to develop because of the restrictions imposed in the licenses – principally that of preventing the licensees from carrying two-way services.

However, observers believe these restrictions will be lifted as part of the Government's forthcoming review of the BT/Mercury duopoly in basic communications services.

● Cable and Wireless announced yesterday that it had acquired a minority stake in Convik Skyport, a subsidiary of Kinnevik, a Swedish conglomerate. Convik Skyport has a licence to offer transatlantic telecommunications services by satellite from Sweden and is due to start its service next month.

Both divisions help ADT rise to $146m

By Andrew Hill

ADT, the electronic security and vehicle auction group, pushed up pre-tax profits by 38 per cent, from $106m to $146m (£76m), in the first half of the year.

Mr Michael Ashcroft, chairman and president, said the Bermuda-registered group was demonstrating its resistance to economic recession.

Profits in the vehicle auction division, which accounts for about a third of group business, grew by some 20 per cent, while electronic security, mainly in the US, increased first-half profits by about 15 per cent.

Mr David Hammond, finance director, said yesterday: "The current environment is the best possible one for the auction division. If, as some of us fear, the economy goes down further then there will be an erosion of used vehicle prices, but this will be compensated by an increased velocity of transactions."

He added: "There is genuine internal growth across the whole company, which hopefully will dispel some of the thoughts that we only live for acquisitions."

Profits were boosted by a sharp rise in interest and investment income to $16.5m ($6.3m), as the group's cash balances increased. ADT still has more than $1.1bn of cash and liquid securities, as well as investments valued at $630m.

ADT's 22 per cent stake in Christies, the auction house, is now part of the group's "long-term investments" in the balance sheet, and will be treated as an associate company. The group's 8 per cent holding in BAA, its largest investment, and its 15 per cent stake in Lep Group, a security and distribution company, are still treated as short-term investments, providing income from dividends.

Mr Hammond said there had been no change in the group's attitude towards the investments, but confirmed that if the group needed to realise funds for a large acquisition, the BAA and Lep shares, worth about £190m at current market prices, would be sold before the Christies holding.

Group turnover during the first half of the year rose from $484m to $555m and fully diluted earnings per share rose from 10.9 cents to 12.3 cents.

ADT announced the usual bonus share issue in place of a formal interim dividend – one new share for every 37 held. ADT's shares slipped 5p to 148p in London and the issue is worth about 7.7 cents a share at yesterday's closing price and exchange rate. Last year's one-for-47 interim bonus was worth some 6.9 cents on the same basis. There is a cash alternative of 6.8 cents (5.9 cents).

See Lex

Scottish activities hold Cala's fall to 62%

By James Buxton, Scottish Correspondent

CALA, the Edinburgh-based housebuilder, yesterday announced pre-tax profits down 62 per cent at £3.78m for the year to June 30 1990, compared with £10.05m in 1989.

Cala, in which British & Commonwealth, now in administration, hold a 15.9 per cent stake, wrote off £4.03m on its land holdings. It does not expect the housing market to improve significantly in the coming year.

It is, however, paying an unchanged final dividend of 2.25p which, after a 10 per cent rise in the interim, lifts the total to 3.4p (3.3p).

Cala, which principally builds upmarket homes in several parts of England and Scotland, drew all its pre-tax profit from Scotland where the housing market has only recently begun to decline, according to Mr Geoffrey Ball, chairman. Total sales were £88.53m (£78.95m).

In England, housebuilding was hit by falling house prices and pressure on margins resulting in discounting through a variety of measures. The same factors are beginning to affect the central belt of Scotland.

The land stock write-offs were necessary because the downturn was deeper and lasted longer than the company had expected. But Cala said it sensed that the bottom of the market was near and has cautiously increased its land buying programme. This will increase borrowings which were £6.9m at June 30.

To reduce overheads Cala has merged its housebuilding subsidiaries in the south of England and in Scotland, entailing provisions of £400,000 and redundancies for about 50 of the 300-strong workforce.

Cala said that the administrators of B&C supported Cala's strategy and intend to retain the shareholding "until market sentiment improves and in their view proper value is realised."

● COMMENT

Cala's results are better than those of several housebuilders in the current gloom, partly because it is conservatively managed and partly because of its Scottish presence. But because it has never had a large land bank it has not benefited from large profits on the sale of land bought years ago, unlike companies such as Persimmon. The shares, which had not hitherto been badly affected by this month's fall in building stocks, dropped 10p yesterday to 73p. The B&C stake may still be a negative factor. But analysts still hope for profits of £5m this year from a slimmer group, which suggests a prospective p/e of 8. Until housing shows signs of improving it is too early to buy.

Clyde Petroleum sharply up at £3.4m

By Richard Gourlay

A SHARP increase in North Sea production and Dutch gas prices helped Clyde Petroleum, the independent UK oil company, to an interim profit after taxation of £3.4m, a more than sevenfold increase over the same period in 1989.

Profit before tax rose 2.7 times to £4.8m on turnover up 29 per cent at £31.8m and Clyde said it would maintain the interim dividend at 0.5p.

Output from the Buchan, Balmoral and Glamis fields rose 18 per cent to 19,600 barrels of oil equivalent a day while Dutch gas prices rose 30 per cent as the higher oil prices in late-1989 fed through with an expected six-month lag into higher contract prices.

During the first half Clyde sold its interest in Ecuador from which £1.9m of operating profit was derived in the first half of 1989.

The sale led to an extraordinary profit of £1.3m which when added to after tax profits brought earnings for the period to £4.7m.

The group said it enjoyed good exploration results in waters off the Netherlands.

● COMMENT

On the face of it, bringing the Wytch Farm oil field on stream at 60,000 barrels a day five days before Iraq invaded might look like a sure recipe for a bumper second half result. First half operating cash flow has increased to a record £19.9m and the final payment on Wytch Farm has now been made. Wisely, Mr Colin Phipps, Clyde's chairman, included a cautionary note in yesterday's profits forecast. Wytch Farm is only operating at about 30,000 barrels a day because British Petroleum, the operator, is having problems with gas flaring. On the other hand, Clyde has traded with Texaco a share of its Burmese exploration rights for a 30 per cent stake in a prospective block off Peninsular Malaysia, adjacent to the Belida block where Conoco last year drilled a successful test well. This adds to an impression of a rosy medium term picture for Clyde even with conservative forecasts for oil prices.

Overseas results behind Bowthorpe's gain

By Andrew Jack

RISING OVERSEAS trading profits helped lift pre-tax profits at Bowthorpe Holdings, the electrical and electronic components group, by 13 per cent to £23.72m in the six months to June 30.

The shares firmed 2p to 188p with the results, which were ahead of expectations. Earnings per share rose to 8.08p (7.56p). The interim dividend is 1.62p (1.41p).

Turnover at the Crawley-based group with 50 plants in 20 countries around the world, expanded 16 per cent to £128.56m (£110.65m).

The electronics division reported operating profits up 20 per cent to £11.3m, while electricals were up 23 per cent to £11.4m.

The share of profits from related companies doubled to £1.47m (£759,000), as a result of good performance by Japanese and French companies, and the purchase of stakes in Dutch and German businesses.

Favourable exchange rate movements added £1.16m to pre-tax profits from currency translations. Sterling interest income from liquid funds added a further £967,000 (£1.17m).

The tax charge rose to £9.41m (£8.1m), representing an effective rate of 39.7 per cent. This reflected the increased proportion of profit earned in higher tax countries overseas, said Mr Parsons.

● COMMENT

Bowthorpe rarely excites or disappoints. The component group's results were ahead of expectations and, in keeping with the company's image, the shares registered a modest advance. Although there is no breakdown by businesses the German company Wargo is estimated to have contributed more than £4m to profits. The high volume cable ties business generates a healthy cash flow, which has permitted sensible acquisitions without borrowing. Bowthorpe's strategy on niche markets with a global spread has shielded it from poor UK results, but they will be hit by higher German tax charges and currency translation losses for the full year. On projected profits of £48m, earnings per share are at a premium on 16.9p, for a multiple of 11.

UK COMPANY NEWS

Silentnight regains bounce with 17% gain

By Andrew Bolger

SILENTNIGHT Holdings, Europe's biggest manufacturer of beds, yesterday reported a recovery in its performance after last year's disastrous tie-up with Lowndes Queensway, the furniture and carpet retailer which has since collapsed.

Silentnight's pre-tax profits rose by 17 per cent to £4.5m in the half year to August 4. This was achieved on turnover up by 7.6 per cent to £78m.

Earnings per share rose by 17 per cent from 5.46p to 6.37p.

Last year Silentnight lost several million pounds in an abortive attempt to establish a direct-delivery beds service with Lowndes Queensway, but these figures also exceeded the company's previous first-half record profits figure of £4.4m, achieved in 1988.

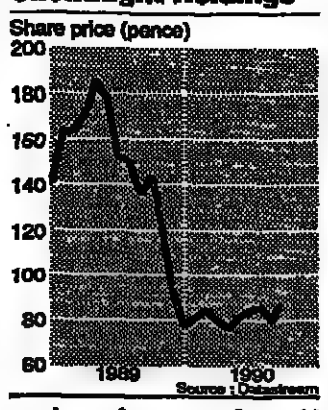
In addition, last year's first-half figures were held back by difficulties with obtaining material at its upholstery division. That division has just been sold in a buy-out led by Mr Christopher Burnett, Silentnight's former chief executive, for £9m, leaving Silentnight with cash in the bank.

Mr William Davies, chairman, said: "I am pleased to report on a period of considerable progress after our disappointing performance last year. This progress has been achieved despite a difficult trading environment."

He added: "Prospects for the year are encouraging as overall demand for our products is still strong despite the effect of high interest rates on consumer spending. Furniture retailers continue to report difficult trading conditions.

"If trade remains at current levels we would confidently expect to improve on last year's performance. I would repeat, however, that all indications are of a recession in the economy which we cannot expect to escape."

Silentnight Holdings



In view of the uncertainty in the economy, the interim dividend is maintained at 2.25p.

Mr Davies said trading performance was encouraging, although Silentnight Beds had not yet returned to its former level and its Perfecta beds had encountered some operating difficulties.

Silentnight Beds was seeking to replace the volume lost as the result of the decision taken in December last year to stop supplying Lowndes Queensway.

Perfecta, which operated at the lower end of the market was finding it hard to pass on raw material price increases and was experiencing some difficulties arising froma change in the mix of its business towards mail order.

● COMMENT

Given last year's trauma with Lowndes Queensway, Silentnight has bounced back impressively. The shares closed unchanged at 85p, a long way down from last year's peak of 190p.

Analysts are expecting full-year profits of £9m, which would put the shares on a prospective multiple of 6.6. That seems undemanding and is underpinned by a prospective yield of 9.4 per cent.

Any major excitement is probably ruled out by the presence of the Clarke family, which has no intention of seeing its 52 per cent stake diluted. However, the company's recovery from last year's wobble is not reflected in the current share price.

If recession does bite, one would expect an ungeared Silentnight's market share grow at the expense of weaker, unquoted competitors.

Banks again postpone decision on Goodman

By Kieran Cooke in Dublin

REPRESENTATIVES of 33 banks who are owed more than I£450m (£406m) by companies associated with Mr Larry Goodman, Europe's biggest beef processor and exporter, have again postponed a decision on whether to advance further emergency funds to enable Goodman International to continue operations for the next two months.

The steering committee representing the banks involved yesterday said it wanted a further meeting with the Examiner, Mr Peter Fitzpatrick, before advancing a further I£30m of funds for company operations during the present big annual cattle "kill" in Ireland.

The banks' hesitancy about committing more funds to Goodman makes Mr Fitzpatrick's job increasingly difficult. The Examiner was appointed to oversee Goodman International's operations at the end of last month following revelations about the serious state of the company's finances.

Mr Fitzpatrick has until October 10 to submit a report to the High Court in Dublin assessing the viability of Goodman International.

He said that at present he has only enough funds to pay farmers for their stock and keep Goodman's meat plants open until the end of this month.

Banks are demanding more information on the complex structure of the Goodman empire and want Mr Fitzpatrick to be given access to various important assets controlled by Goodman companies.

These privately-held assets include a 14 per cent stake in the Berisford commodities conglomerate and various property interests.

It is expected that Mr Fitzpatrick will meet with the banks later this week.

New business growth gives lift to Refuge

Refuge Group, the Cheshire-based life assurance and financial services company and the smallest of the listed UK life offices, yesterday announced a 13 per cent increase to 3.25p in its interim dividend.

The increase, in line with expectations, reflected steady growth in new business over the first six months of 1990.

Total new regular premiums for life and pensions business increased by 7 per cent.

Total revenue from long term business increased by 9.8 per cent from £78.9m to £86.6m.

New premiums from industrial business – door to door sales of life insurance products – rose by 8.6 per cent.

NEWS DIGEST

Copson tumbles to £45,000

F COPSON is close to completing its move from being a builders merchant into operating hotels and nursing homes with the sale of certain assets of the three businesses of LCP Building Supplies.

The sale for a total of about £1.54m will leave the company with net cash.

At the same time results for the year to April 30 were announced showing taxable profits tumbling to £45,000 (£932,000). The directors are proposing to pass the final dividend leaving a total for the year of 1p, against 4p.

Difficult trading at the builders merchants was the main reason for the fall. The shares closed at 38p, down 10p.

Directors estimate that the value of the assets being sold are about £2m. The sale plus the planned cessation of builders merchant activities would allow the group to focus on its leisure-related operations, they added.

Turnover for the year fell slightly to £32.52m (£32.66m). There was a tax credit of £46,000 (£352,000 charge) for earnings of 0.99p (9.89p). Pulling out of builders merchants resulted in an extraordinary charge of £4m.

Hotels contributed trading profits of £316,000 whereas the nursing home reported "slightly disappointing" trading profits of £23,000.

Triton Europe shows 39% rise to £4.5m

Triton Europe announced a 39 per cent pre-tax profits increase to £4.52m in the year to May 31.

The company conducts exploration, development and production activities in the UK and the Netherlands through Triton North Sea Operators and in France through Triton France.

Turnover advanced to £29.26m (£26.98m) and after tax of £3.03m (£1.61m) earnings per share were 1.81p (1.98p).

Sharp setback at Garton Engineering

Taxable profits of Garton Engineering, the West Midlands-based component and fasteners group, dived by 50 per cent to £362,000 in the six months to end-June.

The decline from last time's £730,000 came on turnover of £12.31m (£12.7m), and was struck after interest charges increased from £128,000 to £156,000.

Earnings per 10p share slumped to 6.18p (12.96p), but the interim dividend is maintained at 1.75p.

A&J Mucklow 16% ahead to £10.52m

A&J Mucklow Group, the industrial and commercial property investment and development company, announced taxable profits for the year to June 30 ahead by 16 per cent from £9.08m to £10.52m.

A final dividend of 2.9p (2.6p adjusted) is recommended for a 5.13p total (4.455p adjusted). Earnings per share advanced to 7.38p (6.49p).

Rental income for the year improved to £12.56m (£9.67m) while turnover fell to £3.69m (£5.54m) generating trading profits of £1.83m (£2.59m). The pre-tax result was struck after interest payable of £3.77m (£1.95m).

Restructured Ferrum doubles to £1.06m

Ferrum Holdings, the USM-quoted UK and Netherlands-based engineering, oil services and structural steel group, more than doubled pre-tax profits from a restated £494,000 to £1.06m in the six months to June 30.

Earnings per share moved up to 3.4p (1.9p) and a maiden interim dividend of 1p is declared. Turnover advanced to £22.07m (£9.97m).

MMI shows advance to £183,000

MMI, the financial marketing consultancy which obtained a USM quote last month, achieved a profits improvement from £137,294 to £182,866 pre-tax for the half year ended June 30.

Turnover totalled £830,252 (£1.39m) and earnings amounted to 1.36p (1p). A maiden interim dividend of 0.25p is declared.

Jeyes advances 45% to £1.48m

Jeyes Group, the manufacturer of cleaning and hygiene products, returned profits of £1.48m pre-tax for the 28 weeks to July 14, a 45 per cent improvement over last time's £1.02m.

Turnover of the USM-quoted group, enlarged via the acquisition earlier this year of the Kleenoff business, rose from £23.22m to £26.55m.

Profits were struck after taking account of interest charges of £121,000 (£603,000) and income from investments amounting to £26,000 (£323,000).

The interim dividend is increased from 1.9p to 2.2p on the enlarged capital. Earnings per share worked through at 6.9p (7.6p).

Cresta edges ahead to £2.95m halfway

Cresta Holdings, the Isle of Man-based nursing and retirement homes group, yesterday reported pre-tax profits of £2.95m for the six months to June 30.

The advance from the £2.76m achieved last time came on turnover virtually unchanged at £21.78m (£21.7m). Net finance costs dipped from £202,000 to £161,000.

The company said that property disposals had realised £10m and continuing non-core disposals had generated cash of £9m in the first half.

The interim dividend is raised 0.1p to 0.7p, payable from earnings of 5p (5.6p) per 10p share.

Enlarged Beauford nears £2.5m

Beauford, the plant and machine tool manufacturer which has been busy on the takeover front over the past two years, achieved an 84 per cent improvement in pre-tax profits to £2.39m for the six months to June 30.

The advance, from £1.3m previously, was struck from a more-than-doubled turnover of £30.54m (£14.93m). Interest accounted for £892,000 (£206,000) and tax for £845,000 (£474,000). Fully diluted earnings emerged unchanged at 7.8p but the interim dividend is being stepped up by 10 per cent to 1.85p.

Directors said the forward order position remained healthy.

Ernest Green rises 6% to £3.21m

Ernest Green and Partners Holdings, USM-quoted structural and civil engineering consultancy, increased pre-tax profits by 6 per cent from £3.02m to £3.21m in the year to June 30. Mr David Legg, chairman, said the results were a considerable achievement in the present climate.

The result was helped by interest receivable of £201,000 (£84,000) and the control of operating costs. In June staff numbers were cut by about 10 per cent.

For the present year Mr Legg said that the company continued to benefit from work from J. Sainsbury and Tesco which accounted for 40 per cent of the £14.29m (£12.7m) turnover for the year under review.

Earnings per share came out at 25.6p (25p). The directors are proposing to increase the final payment to 4.25p making a total for the year of 7p (6.25p).

Everest Foods climbs to £1.85m

In spite of a £544,000 rise in interest charges to £921,000 Everest Foods managed a profits improvement of 17 per cent to £1.85m pre-tax for the 12 months ended May 31.

The advance, from a depressed £1.58m last time, was struck on the back of a 48 per cent increase in turnover to £28.86m. Tax of £648,000 (credit £153,000) left fully diluted earnings at 11.4p (16.4p). A final dividend of 4p makes a 6p (5.5p) total. Year-end gearing was 83 per cent.

Directors said the group, quoted on the USM and engaged in food manufacture, was "back on course and recovering from the events of the previous financial year."

UK COMPANY NEWS

Agreed bid by Leigh Interests for HT Hughes

By David Thomas, Resources Editor

THE RATIONALISATION of the waste management industry appeared set to gather pace yesterday after Leigh Interests announced a recommended paper offer for HT Hughes.

Leigh's shares fell 34p to 298p, while those of Hughes rose 40p to 121p yesterday on the news, valuing the offer at £33.1m.

The acquisition would bring together two of the six UK quoted management groups to create one of the biggest concerns in the fast growing industry.

Leigh is offering 50.3 shares for every 100 Hughes shares. Full acceptance of the offer would result in the issue of up to 13.2m shares, equivalent to 21 per cent of Leigh's enlarged share capital.

Irrevocable undertakings to accept the offer have been given by shareholders representing about 40.1 per cent of Hughes's share capital. Leigh already has a 3 per cent stake.

Leigh said that its offer represented a multiple of 26 times Hughes's earnings for the year ended February 1990 and an 85 per cent premium on Hughes's closing price on Monday.

Leigh yesterday forecast pre-tax profits of not less than £6.7m for the half-year to September 30, an increase of 91 per cent. Earnings per share were predicted to rise 20 per cent to not less than 8.8p.

Bob Merrick: joining the Leigh Interests board

Mr Bob Merrick, Hughes chairman, who together with Ms Pauline Merrick, deputy chairman, holds 32 per cent of Hughes, will join Leigh's board.

Analysts pointed to Hughes's landfill sites in and around Hampshire as one of the company's main attractions. "It is a full price, but strategically it makes a lot of sense," said Mr Edmund Bradley of Citicorp.

Rising standards in the industry and high prices for waste sites have prompted considerable rationalisation. Leigh made nine acquisitions for a total of £24.5m in the year to March 1990.

SWP advances 6% to £1.26m

SWP Group, a designer and maker of building industry components, improved taxable profits by 6 per cent to £1.26m for the year to June 30.

The USM-quoted group's turnover was £10.33m (£10.52m).

Tax took £421,000 (£388,000). There was also an exceptional tax charge of £76,000 in settlement of previously disputed tax losses.

Earnings were unchanged at 3.1p and the dividend is 0.6p (0.5p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Beauford ....int	1.85	Nov 22	1.68	-	5.52
• Bowthorpe ....int	1.62	Dec 14	1.41	-	6
Cala ....fin	2.25	Nov 3	2.25	3.4	3.3
Cannon Street ....int	3.3	Oct 31	3.2	-	8.8
CI ....int	0.825	Jan 2	0.8	-	2.05
Clarkson (H) ....int	2.75	Nov 26	2.5	-	-
Clyde Petroleum ....int	0.5	Oct 31	0.5	-	1.15
Copson (F) ....fin	nil	-	3	1	4
Cresta ....int	0.7	Oct 31	0.6	-	1.8
Everest Foods § ....fin	4	Dec 7	3.5	6	5.5
Ferrum § ....int	1	Jan 7	-	-	-
FII Group ....fin	7.25	Jan 2	6.5	11.25‡	10
Fitch-RS ....int	1.5	Oct 31	3.5	-	9.5
Gabicci § ....fin	2.6	Nov 7	2.5	4	4
Garton Eng ....int	1.75	Dec 3	1.75	-	7
Green (Ernest)§ ....fin	4.25	Nov 26	4	7	6.25
Iceland Frozen ....int	2.3	Nov 24	2	-	6.2
Interlink Exp § ....int	4.25	Nov 9	4.25	8.37	8
Jeyes § ....int	2.2†	Dec 28	1.9	-	4.7
Kingfisher ....int	3.8	Nov 2	3.6	-	11.5
Mayborn § ....int	1.3	Oct 31	1.3	-	3.8
Melville ....fin	3.5	Nov 23	3.4	5.2	4.9
MMI § ....int	0.25	Nov 1	-	-	-
Mucklow (A&J) ....fin	2.9	Jan 2	2.6*	5.15	4.466*
Refuge ....int	8.25	Nov 23	7.25	-	21
St David's Trust..........fin	8.8	-	8	13.2	12
Silentnight ....int	2.25	Jan 2	2.25	-	5
Sunset+Vine § ....fin	2†	Oct 26	1.5	3.5	1.5
SWP § ....fin	0.6	Oct 19	0.5	0.6	0.5
Taylor Woodrow ....int	1.86	Oct 10	1.75	-	9
Trinity Intl ....int	2.6	Oct 26	2.3	-	7.2
Wassall ....int	0.9†	Nov 9	0.75	-	2.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Excludes special payment of 1p.

Fitch RS shares plummet after chief quits

By Alice Rawsthorn

FITCH RS, the troubled design group, yesterday saw its shares plunge from 75p to 48p after it announced a significant fall in interim profits and the resignation of its chief executive.

The fall in profits – from £2.05m to £459,000 pre-tax for the six months to June 30 – was in line with expectations. Fitch, which is suffering from a downturn in demand for design services, issued a profits warning earlier this summer.

But the City was surprised by the departure of Mr Ian Cochrane, who resigned as chief executive following the restructuring of the group's interests. Fitch is consolidating its architectural activities in Newark and regrouping its design interests in London. The changes involve 15 redundancies, chiefly in architecture.

"The impact on the share price is understandable. It is not every day that a chief executive leaves," said Mr Max Frost, group finance director. "It is now up to us to prove the business is in good hands and to deliver the numbers."

Mr Rodney Fitch, chairman, will now take on Mr Cochrane's responsibilities as chief executive.

The London design business will be divided into two divisions – environments (including retail design) under Mr Giles Marking, and communications (product and graphic design) under Mr David Rivett.

Group turnover fell to £11.96m (£12.62m) in the first half. Earnings per share fell to 2.2p (20.2p). The ordinary dividend has been cut to 1.5p (3.5p) and the preference dividend is held at 3p.

Fitch benefited from £500,000 in non-recurring investment income before its move to its new London headquarters at Kings Cross. Its design business broke even, after losses from product and graphic design wiped out the much reduced profits from retail design.

The architecture division lost about £350,000, because of non-recurring redundancy costs. RichardsonSmith, the US product design business, performed strongly and increased its profits to £350,000.

Mr Frost said the second half should benefit from the group's rationalisation. He expected continued growth from RichardsonSmith and an improvement from design and architecture in the UK.

Aegis sells Creamer Dickson to Eurocom

AEGIS, the media buying group, yesterday continued the streamlining of its interests by selling Creamer Dickson International, its public relations companies, to Eurocom, the French marketing group, for £10.75m cash, writes Alice Rawsthorn.

Aegis recently changed its name from the WCRS Group after diversifying away from advertising to concentrate on media buying. It incurred heavy debts in the acquisition of Carat, the powerful French media buying company which is now expanding across Europe.

Mr Charles Stern, group finance director, said the disposal of CDI represented an opportunity to release capital to reduce the group's debt. "Our core strategy is to develop in media buying and sponsorship," he said. "Public relations is not closely related to these interests and rather than put the business on hold we decided to sell it."

Aegis should receive £9m to £10m net from the disposal. It recently raised £11m from the sale of a building in Paris.

Analysts expect these gains to contribute to a reduction in net debt from £72m to about £50m by the year end.

CDI, which includes Creamer Dickson Basford in the US and Bias Lancaster in the UK together with Corporate Graphics, a US design business, will now be absorbed into ABC, the existing Eurocom PR business run from Dusseldorf.

Eurocom sees the CDI acquisition as the latest phase of its expansion within the international marketing services industry. Late last year it bought control of the EWDB advertising agency from Aegis.

The French group is now building up its interests in other areas of marketing, such as public relations, direct marketing and design.

It intends to make more acquisitions in PR through ABC and is rumoured to be interested in Wolff Olins, the UK design consultancy.

Earlier this summer Eurocom approached Saatchi & Saatchi, the troubled UK communications company, with an offer to buy Backer Spielvogel Bates, one its international advertising networks.

Saatchi rebuffed Eurocom's approach as well as a similar proposal from Rous Séguéla Cayzac Goudard, another French marketing group.

FII weathers industry downturn with £8.8m

By Alice Rawsthorn

FII GROUP, one of the UK's largest footwear manufacturers, yesterday overcame the downturn in the footwear industry by announcing a 24 per cent increase in pre-tax profits from £7.06m to £8.75m in the year to May 31.

Mr Monty Sumray, chairman, said conditions in the footwear market were still "very competitive" but the group had been able to counter those difficulties because of its commitment to investment in new technology.

"Our designers have to work harder, our presentation must be better and we must produce more winners," he said. "So far we have managed to do that and business is still coming in." FII's shares rose by 10p to 340p on the announcement.

Turnover rose to £74.43m (£66m) and operating profits to £7.93m (£6.74m). The group received £818,000 (£314,000) in interest on surplus cash of £8m. Earnings rose to 40.2p (36.6p). A final dividend of 7.25p (6.5p) is proposed for a total of 11.25p (10p). An additional 1p dividend was paid at the interim stage to mark the group's 25th anniversary.

The footwear industry has been in recession for more than two years because of the problems posed by increasing imports and erratic demand in the domestic market. There have been redundancies across the industry and some companies have gone out of business.

Nonetheless FII managed to achieve record profits from its footwear companies, which sell more than half their output to Marks and Spencer. Mr Sumray said FII would continue its policy of ploughing retained profits (£3.8m for the group last year) into investment.

He said the emphasis in footwear would continue to be on organic growth, not acquisitions. FII does, however, plans to expand its scientific and technical division – which quadrupled profits to £1.51m (£320,000) – by acquisition.

CI Group edges ahead to £3.75m

In spite of a 15 per cent improvement to £48.56m in turnover, CI Group, the steel and engineering concern, saw profits increase by only 3 per cent to £3.75m pre-tax for the half year to July 31.

Interest charges accounted for £317,000 more at £969,000 but tax showed little change at £1.27m (£1.26m). Earnings amounted to 2.87p (2.79p) per 10p share and the interim dividend is 0.825p (0.8p).

UK COMPANY NEWS

Adverts fears as LWT makes £91m

By Raymond Snoddy

LWT (Holdings), the parent company of London Weekend Television, announced pre-tax profits of £9.1m for the half year to June 30 amid fears of continuing weakness of advertising revenue.

Mr Christopher Bland, the LWT chairman, yesterday said the group had had "an excellent first six months in spite of difficult trading conditions."

The pre-tax profit figure was down, however, compared with the £11.5m in the 26 weeks to July 1989.

During the period the company, which holds the weekend franchise for the London area, increased its advertising revenue by 9.5 per cent, compared with a network average of 2.9 per cent.

"We significantly outperformed the five other largest ITTV companies," said Mr Bland, who pointed out that profits before interest and tax were 61 per cent up on the 26 weeks to July 1989.

He emphasised his determination to retain the franchise in next year's competitive tenders. Anyone trying to replace LWT would have to demonstrate through a valid track record and a proven management team the ability to match LWT's 200 hours of network programming each year.

Profit before interest and tax was £24.6m. A further provision of £750,000 was set aside for redundancies .

The LWT chairman warned that his company expected advertising to be difficult this year and the first half of 1991, but it was a short-term market and difficult to predict.

Yesterday's results were the first since shareholders approved a capital reorganisation scheme designed to keep the top management together through the franchise bid period. Costs had been cut and LWT was meeting its covenants and had £30m worth of unused borrowing facilities.

A dividend of 2.136p was paid on July 2 to preferred and management shareholders.

Trevor Humphries

Greg Dyke (left), managing director, and Christopher Bland, chairman: excellent first six months

Trinity at £9m but margins under pressure

By Raymond Snoddy

TRINITY International, publishers of the Liverpool Daily Post and Echo, yesterday announced pre-tax profits of £9.1m for the six months to end-June, a rise of 4.7 per cent on the same period of last year.

The Chester-based group, which also runs newspapers in North America and has a substantial papermaking and packaging business, had turnover of £87.5m, an increase of over 15 per cent.

Operating profits were up 10 per cent and earnings per share improved by some 8 per cent.

Trinity said that margins in papermaking and packaging had come under sustained pressure and although the business made a significant profit it fell short of last year.

The group reported strong performances from its daily and weekly newspapers in the UK and Canada although the North American results were diluted by the strength of sterling.

Trinity, a close company controlled by the 12 voting shares of its 12 directors – five of them executive directors – declared an interim dividend of 2.6p compared with 2.3p last time.

In July it became clear that Mr Conrad Black, the Canadian publisher, had built up a 10 per cent stake in the group. There is no sign that Mr Black has added to his stake significantly since then.

Trinity warned yesterday that it was too early to predict the outcome for the full year given the outlook for the North American economy and the dollar. The squeeze on the UK economy was also starting to affect the north west.

Advance to over £1m for Sunset + Vine

By Raymond Snoddy

SUNSET + VINE, the independent television production company involved in sponsored sports programmes, increased pre-tax profits in the year to end-June by 34 per cent to £1.01m.

The USM-quoted company, which is due to begin trading on the main market on Monday, posted turnover of £3.38m (£2.2m).

Earnings per share rose by 17 per cent from 10.8p to 12.6p and the company recommended a final dividend of 2p for a total of 3.5p for the year.

Mr Colin Frewin, chief executive, said the company would continue to develop and exploit its lead in sponsored programming.

Sunset said its Gillette World Sport Special was now the world's most watched sports programme, seen in more than 75 countries.

Another sponsor, Pepsi-Cola, has commissioned 13 quarter hour shows based on winners in sport.

Gabicci declines 21% to £1.35m

Gabicci, the USM-quoted casualwear group, reported pre-tax profits down by 21 per cent to £1.35m for the 12 months to June 19.

The outcome – down from £1.72m in the previous year – came on turnover of £25.03m (£25.74m). However, Mr Jack Sofier, chairman, said the reduction in turnover was mainly because of the closure of loss-making divisions."

Earnings per 5p share eased to 7.9p (9.7p), but the final dividend is again 2.6p for a maintained total of 4p.

Wassall advances to £3.05m in spite of higher interest charge

By Andrew Hill

WASSALL, the aspiring conglomerate which in January won a hostile bid for Metal Closures Group, increased pre-tax profits from £1.04m to £3.05m in the six months to June 30.

Profits at the group, which now manufactures office furniture, luggage and bottle-tops, were held back by the £2.75m cost of borrowings, which now stand at more than 150 per cent of shareholders' funds.

However, Mr Christopher Miller, chief executive, suggested that Wassall might be ready to issue more shares to fund another acquisition at the end of this year.

"Whether the opportunity would be there is another question," he said. "But the general point is that businesses are getting cheaper and if you go for the right kind of target you will be able to raise the money."

In the meantime, disposals could bring borrowings of some £45m down by £15m or £20m. Interest charges should be covered at least three times at the full year, according to the company.

Mr Miller refused to indicate which Metal Closures businesses would be sold, but the group seems likely to dispose of its flexible packaging and pre-press services operations.

MCG contributed about £4.5m of operating profits in the first half of the year, in spite of a slack performance in South Africa, which accounts for about 30 per cent of the new subsidiary's income.

Wassall is headed by two former Hanson executives and a corporate finance executive from Dillon Read. The group said the application of Hanson inspired management skills had already helped increase MCG's margins from between 3 and 4 per cent to 7 per cent.

About £1.5m of profit came from the Antler luggage operations, and office furniture manufacture, but margins and profits at both businesses were hit by the economic downturn in the UK.

Group turnover increased from £15.97m to £63.31m and earnings per share from 3.96p to 4.55p. The company declared an interim dividend of 0.9p (0.75p).

Wassall's shares slipped from 158p to 152p yesterday, compared with a peak of 238p at the beginning of July.

Two offshoots launched by restructured Microvitec

By Alan Cane

THE NEW management of Microvitec, a manufacturer of colour computer monitors and terminals, yesterday launched two new subsidiaries to help speed the company's return to financial health.

Microvitec has a reputation as a technology leader in the design and manufacture of personal computer monitors, but over-enthusiastic investment in research and development last year, coupled with delays in the delivery of new products resulted in a £2m loss on sales of £11m in the first half of 1990.

In April this year, Mr James Bailey, formerly chief executive of Gandalf Technologies, the Canadian telecommunications company, took over as chief executive officer. He has since been joined by a group of senior Gandalf managers, among them Mr Robert Adams, now director of sales, marketing and technology.

Mr Adams said that a far-reaching restructuring programme, including some 100 redundancies, makes it likely that Microvitec will be back in the black by the end of the current year.

Yesterday the company announced the formation of Vitec Comms which will sell hardware and software devices to link personal computer networks manufactured by the Canadian company Develcon.

A second company, MV Multimedia, will exploit Microvitec's skills in interactive video technology.

Export boost lifts Bluebird Toys to £0.34m

A substantial increase in export sales helped Bluebird Toys to achieve a 57 per cent expansion in interim profits.

On sales ahead 67 per cent to £16.71m (£9.98m), taxable profits for the six months to end-June amounted to £335,000 (£213,000).

Earnings per 10p share rose from 1.74p to 2.76p.

Mr Torquil Norman, chairman of the USM-quoted group, said that export sales in the period totalled £4.66m – up from £956,000 last time – reflecting development of its international business and the distribution agreement with Mattel of the US.

He stated, however, the conditions in the domestic market had "not been easy".

NEWS DIGEST

Power Corp rises to I£6.7m

PRE-TAX profits at Power Corporation, the Dublin-based commercial property investor and developer, leapt 85 per cent from I£3.62m to I£6.68m, (£6.05m), in the six months to June 30. Turnover vaulted from I£5.54m to I£22.64m.

Mr Robin Power, chairman, said that the figures "were particularly satisfying at a time when the property sector is besieged by poor results, bad press and negative comment".

He added that a new evergreen, interest only, multi-currency syndicated bank facility for £100m had recently been completed, opening up opportunities to buy prime retail properties in London and the US.

The interim dividend is raised to 1.9p (1.8p) on increased earnings of 4.44p (3.28p) per share.

In the US, which accounts for 38 per cent of group revenues, sales rose by about a third helped by acquisitions in the New York/New Jersey area and Chicago.

Total turnover was £39m (£32.41m), interest cost £135,000 (£79,000), and there was an extraordinary item of £636,000 as costs for closing the New York datacentre operation.

Earnings per 5p share worked through at 11.25p (9.5p), and an interim dividend of 2.1p (1.75p) is declared.

Fee rate rises aid Computer People

Computer People Group, a specialist consultancy service, raised taxable profits by 18 per cent from £1.81m to £2.14m in the six months to June 30.

UK revenues were up 14 per cent, mainly from the steady increase in fee rates rather than an increase consultancy assignments.

Europe move helps Second Alliance

Net asset value of the Second Alliance Trust at July 31 was £12.13, against £12.05 a year before and £12.16 at January 31.

Net revenue for the year to end-July was £6.48m (£5.52m) for earnings per share of 33.61p (28.64p).

A final dividend of 22p is recommended for a total of 33p (28p).

Special Risk US acquisition

Special Risk Services, an unlisted Lloyd's insurance broker specialising in financial risks, has announced the acquisition of a second US subsidiary, the Los Angeles-based, Securities Guaranty Insurance Services (SGI).

SRS, which was formed in 1987, by a diverse team of brokers, already owns Special Risk Service Inc, of New York, and the Paris-based Risque et Finance. SRS's London-based operation employs 57 staff.

"We believed that the financial sector needs a specialist insurance broker, just as you see brokers specialising in oil, gas and other risks," Mr Wenman said.

The new US subsidiary will market financial risks policies, including financial guarantees and credit enhancements; bankers' blanket bonds and other crime risks policies; as well as professional liability covers.

Berry Starquest assets fall to 191p

Net asset value at Berry Starquest, a quoted investment trust managed by GT Management, fell to 190.6p at July 31, from 237.8p a year earlier.

In the six months to end-July net revenue rose from £72,000 to £110,000 and earnings from 1.4p to 2.1p per share.

Income, however, dropped to £279,000 (£284,000) with income from investments falling from £241,000 to £154,000.

Mr Dennis Nicholson, chairman, said that after a good start to the year, there had been a setback in global equity markets and "a precipitous fall in Japanese share prices".

Currently, he said, UK share ratings were low both on an international basis and in comparison with the UK norm of recent years.

This, he believed, should give some protection to share values in the current volatile markets.

COMMODITIES AND AGRICULTURE

Bumper harvest jams up Canada's handling system

By Bernard Simon in Toronto

THE COMBINATION of a bumper crop and saturated world markets is putting severe strains on Canada's grain transport and storage facilities. With about a third of the wheat crop still to be harvested, most elevators on the prairies and at main export ports are already full and farmers have had little choice but to start storing grain on open land, crossing their fingers that it will not be spoilt by heavy rains.

The Prince Rupert terminal north of Vancouver has filled its entire storage capacity of 200,000 tonnes, and another 24,000 tonnes are lying in 300 railcars at the port. The Canadian Grain Transportation Agency said that elevators at Thunder Bay, at the western end of the Great Lakes, were also almost full.

Mr Bruno Friesen, policy and planning manager at the Alberta Wheat Pool, which operates 275 country elevators, said: "we're running into considerable problems with congested elevators."

Unless new markets are found, the situation is expected to worsen in October and November as the harvest is completed.

Statistics Canada has estimated this year's wheat crop at 28.6m tonnes, the second biggest on record. At the same time, the Canadian Wheat Board is having trouble finding customers for the crop. Canada's two biggest customers, China and the Soviet Union, are said to have delayed purchases while they await harvesting of their own large crops.

The international embargo against Iraq, which was Canada's fifth biggest wheat export market last year, has compounded the problem. A ship in Vancouver, due to be loaded for Iraq, was turned away the day after the embargo was imposed. Canada sold 782,000 tonnes of wheat to Iraq in the year to July 31.

Mr Clarence Roth, chief executive of the Prince Rupert terminal, said that the port handled fewer than half the number of ships last month than in August 1989.

Despite these problems, Canada's grain exports are slightly higher so far this season than last year. According to the Canadian Grain Commission, shipments from the start of the season on Aug 1 to Sept 2 were 1.9m tonnes, up from 1.7m tonnes last year. Most of the extra tonnage has moved out through east coast ports.

The Canadian Wheat Board said earlier this month that it was aggressively looking for new markets. An official admitted, however, that the board was finding it difficult to compete against heavily subsidised sales by other suppliers.

Contract changes planned at the London Metal Exchange

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange, which dominates world terminal market trade in non-ferrous metals, is almost certain to make substantial changes to its contracts in January.

Cleared contracts are likely to be denominated in Deutsch Marks and Japanese yen as well as in the currencies currently used: the US dollar and the pound sterling.

However, dollars and pounds will continue to be the only currencies quoted in ring dealing sessions. It is from these sessions that the exchange's official prices – used as reference points for the vast majority of metals contracts signed around the world – are derived.

At the same time, from January contracts for copper and aluminium, the two most heavily traded metals, are expected to be stretched to 39 months forward, compared with the present 15 months, while those for the other metals traded on the LME – nickel, lead, zinc and tin – will probably be extended to 27 months.

An extension of the trading periods will enable every trading day up to 12 months forward to become a "good delivery" day and thereafter good delivery days will fall on the third Wednesday of each month.

At present good delivery is each trading day from one to three months and the third Wednesday of the fourth to 15th months.

Mr David King, the LME's chief executive, said yesterday that the views of LME members and their clients had been collected and the contract changes would be considered at the regular board meeting in October.

He said the changes were being considered in response to "the ever-changing commercial and regulatory environment" in which the LME was operating.

Mr Vivian Davies, a director of LME ring dealing members Brandeis Intsel, said there was a great deal of metals business transacted further forward than the LME's present 15-month limit that could be brought within the LME system.

For example, mine development could be partly financed by hedging against future production if distant contracts were part of the LME system. This would allow the exchange to provide an enlarged financial service to the metals industry.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+7,150	to 132,025
Copper	−2,950	to 147,725
Lead	unch'd	at 42,750
Nickel	−264	to 2,076
Zinc	+1,300	to 46,425
Tin	−55	to 11,440

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,700 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.00 (2.80-3.05).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.60-2.90 (2.70-2.90).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.50-12.40 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 190-210 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.88-2.94 (2.90-2.94).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 37-51 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.75-2.95 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.45 (same).

Perkier outlook for Central American coffee

The region's producers are in no hurry for a return to export quotas, writes Tim Coone

A GOOD rainy season in Central America has not only raised hopes of a bumper coffee crop this year. For once it is refreshing the entire panorama for growers in the region, who for the past decade have become accustomed to viewing clouds on the horizon as symbolic bearers of bad news.

Political violence, market restrictions and unsaleable stocks no longer cause the perennial headaches that have frustrated growers' plans in the recent past. The ending of the war in Nicaragua; peace talks in El Salvador and Guatemala; more liberal marketing and fiscal policies towards the coffee growers throughout the region; and the collapse of the International Coffee Agreement have all contributed to transforming the previously gloomy outlook.

According to Mr Fernando Montes, a member of the Honduran delegation to this week's International Coffee Organisation talks in London, "we are not desperate to negotiate a new agreeement. For Honduras, a return to the status quo of before is totally unacceptable. The distribution of quotas must be more equitable".

The 1989-90 harvest in Honduras produced 1.8m bags (60 kg each), while its last quota under the ICA was only 650,000 sacks, he explained. This year, with a free market, Honduras has been able to clear its stocks and sell virtually all of its output, although at substantially lower prices. However, a 50 per cent devaluation of the Honduran currency by the new Government has cushioned the effect of the price fall for exporters, while the end of the war in neighbouring Nicaragua has permitted abandoned coffee plantations in the south of the country to be brought back hto production. "The 90/91 harvest will be even higher," said Mr Montes. "Although prices are not satisfactory we can survive with the market at present levels."

Political violence, market restrictions and unsaleable stocks no longer cause the perennial headaches that have frustrated growers' plans in the recent past.

His view reflects that of the other Central American delegations. Mr Guillermo Canet, Costa Rica's representative to the ICO talks, said: "We will support a new agreement which reflects our production capacity." He said that under the defunct ICA 40 per cent of Costa Rica's output had to be sold outside of the ICO member states market. That had led to a huge overhang of stocks by 1988, depressing prices and incurring heavy financial charges.

Mr Canet said the freeing of the market had enabled Costa Rica to sell virtually all of its 2.3m-bag output this year and to reduce stock levels to only 350,000 bags. Two years ago stocks had been in excess of 1m bags.

El Salvador has been able to boost both production and exports as a result of the free market, with exports jumping from 1.6m bags from the 1988-89 harvest to 2.7m bags in the past year, according to figures released by the Salvadorean Coffee Institute, Incafe.

One member of the Salvadorean delegation to the ICO talks said that although the guerilla war continued in El Salvador, a series of policies implemented by the Government of President Cristiani to liberalise the coffee trade and to improve the pricing system in El Salvador had encouraged growers to the point that production levels were recovering to where they were in the early 1980s. Peace talks with the left-wing FMLN guerillas, although moving slowly, are none the less expected to produce some results by next year, boosting hopes of recovery in the coffee sector.

In Nicaragua, the change of government last April, the end of the guerilla war and the lifting of the US trade embargo have resulted in a shift in Nicaragua's position with regard to the International Coffee Agreement. At the time of the ICA collapse last year, the then Sandinista Government opposed a change in the quota system as it had little to gain because of the US embargo. According to the new administration's trade officials, however, there are now prospects of Nicaragua regaining its lost share of the US market under a deregulated system and of substantially increasing output now that the war is over.

The war and economic crisis in Nicaragua had caused a drop in coffee output from record levels in 1982-83 of over 1mbags to less than 600,000 bags in recent years.

Guatemala, CVentral America's biggest producer of so-called "other milds" coffees, is meanwhile expecting to have a record 1990-91 harvest of more than 3.4m bags and to reduce stocks to less than 100,000 bags next year, as a result of an aggressive marketing policy in the US focussing on the gourmet segment of the market.

According to Mr James McSweeney, the general manager of Guatemala's National Coffee Association: "We are quite happy without the quota system as we are now able to sell 100 per cent of our harvest." Guatemala has almost doubled its coffee exports since the collapse of the ICA quota system and, according to Mr McSweeney, only a substantial change in the allocation of the quotas will convince Guatemalan producers to support a new quota agreement.

The Central American producers, which together export about 10m bags, or half of the world's supply of "other milds", have thus shaken off their initial fears over the collapse of the ICA. It was the demand by US roasters for a greater supply of "other milds" under the quota system, and the resistance by Brazil to any changes in the quotas, that led to the demise of the pact.

Although prices remain depressed, the Central Americans are now seeing their world market share growing, their stocks being cleared, and have been able to match the bouyant demand for their "other milds" by greater output. They are willing to sit out a prolonged period of free trading, in the hope that, should Brazil eventually accede to a lower quota under a future ICA, they will be well-placed to corner the greater share of a regulated market that they feel they deserve.

After a decade of stagnation and lost opportunities in Central America, the collapse of the ICA rather than being the coup de grace to the region's growers, has thus proved to be the proverbial silver lining that every cloud is purported to hide. For the Central Americans at least, coffee still has a promising future.

Brazil comes to terms with the real costs of soya

With prices low planting is no longer viable on "frontier" lands, writes Patrick Knight

BRAZIL WILL produce 2m tonnes less soyabeans in 1991 than the 19.4m tonnes harvested this year, 7m tonnes less than the record 1989 crop of 23.7m tonnes.

It has become increasingly apparent that growing soyabeans on much of the far distant "frontier" lands of the Mato Grosso is not viable except when prices are abnormally high. The sudden halt to the financial speculation which was encouraged by Brazil's high inflation is revealing that many costs are far greater than previously thought.

Many farmers in the western states are switching out of soyabeans to plant maize or cotton this year, while others will not cultivate land which had previously seemed so promising. The Oilseeds Producers Association, Abiove, says plantings in Matto Grosso and Mato Grosso do Sul will be a third less than in 1988, while sharp falls will also occur in the central states of Goias, Minas Gerais and Bahia.

The Mato Grosso states will produce less than 4m tonnes of beans next year, compared with 6.5m tonnes in 1989. The "frontier" region as a whole will produce 6.3m tonnes, down from 10.5m in 1988.

THE BRAZILIAN Government has set a date to end a 23-year state monopoly on the distribution of wheat, and removed restrictions on the establishment of new industries, writes Simon Fisher in Rio de Janeiro. Imports will remain under state control, however.

The aim is to end a system of cartels and subsidies which has plagued the wheat industry in Brazil since 1967. Through this the Government exercised exclusive control over the purchase, warehousing, transport and delivery of wheat by weekly quotas, to a select group of industrialists.

Between April and October this year, the system cost the Brazilian taxpayer US$600m, according to the Economy Ministry.

Plantings in the traditional states of Rio Grande do Sul, Parana and Sao Paulo will be about normal. Cargill vice-president, Mr Sergio Barrosos says the industry was encouraged to move further west and north than market reasons could justify. Local authorities, eager to get their hands on extra tax revenue, encouraged increased plantings and also helped finance new crushing and storage facilities, while the hectic financial speculation often made the cost of these installations appear zero.

Mr Barosso says that Brazil's 180 soya mills, many of them brand new in the frontier states, can now crush 30m tonnes of beans a year.

But even in the occasional bumper years when harvests have exceeded 20m tones, no more than 15m tonnes was ever actually crushed, as some beans are needed for seed or are exported unprocessed.

Of these plants 40 are not working at all, yet several new plants costing about $25m each are going up on the frontier lands. A largely speculative investment costing more than $4bn is working at less than 50 per cent capacity, while roads to the coast are collapsing through lack of maintenance.

Mr Barroso says that although soyabeans can be produced at $160 a tonne at a farm gate in Brazil, it can cost $80 a tonne to truck it from the frontier states to ports, where charges are twice Argentina's and three times the US's.

Taxes levied on soya are also abnormally high, consuming 25 per cent of the farm gate price.

The market situation has also changed to Brazil's detriment. Soyabeans are now produced in so many countries that consumers can keep very low stocks, rather than having to buy early at high prices from Brazil, so prices and margins are extremely tight.

Mr Barroso expects Brazil's soya industry to face three or four very difficult years of restructuring before recovery comes.

Farmers have also been badly affected this year by Brazil's exchange policy. Those who sold early suffered from the artificially low exchange rate, while those who delayed selling in the expectation of a major devaluation, which has not yet come, are paying 15 per cent interest a month.

Apart from the fact that 2m hectares less will be planted to soya this year than the 12.2m of 1988, at least a quarter less fertiliser has been applied this year than last, already a below average year.

Abiove's president, Mr Luis Furlan, also the director of commodities of the Sadia meat company, Brazil's leading frozen poultry producer, says that the high cost of moving soya from the frontier regions to the ports is encouraging the processing industries to set up on the frontiers. He also hopes that the countries of eastern Europe will buy more Brazilian soya in future, as Romania and the Soviet Union have done this year. Although he is concerned that in the longer term the eastern European countries might improve their agriculture to such a point as to become competitors of Brazil.

Mr Furlan, who attends Gatt negotiations as an observer,is also concerned that access to the EC could become more difficult for Brazilian soya in future. He says new formulae involving countervailing duties are being contrived to prevent prices paid to EC farmers from actually falling.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices fell in both London and New York as the nearby tightness on the LME eased. The LME saw freer offers of metal, which took some operators by surprise given recent severe mid-September tightness. An unexpected fall of 2,950 tonnes in LME warehouse stocks was largely ignored – overall stocks remain high at 147,725 tonnes. Analysts said the recent price rise on nearby tightness had overshadowed the fundamental softness of the market. The premium for cash metal narrowed to £90 a tonne from Monday's £217. The fall in copper and a weaker zinc market took aluminium prices lower in the morning, although lower prices soon attracted renewed buying interest. Analysts still expect three-month metal to hit $2,300 a tonne in the fourth quarter, when physical supply tightness is expected to be aggravated by traders having to hold on to metal to cover potential commitments in the options market. On the London bullion market gold ended the day down $2 at $388 a fine ounce after opening above $390 and attracting steady Middle East and producer sales – estimated by some dealers at up to 200,000 ounces.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$30.75-2.00y	+1.25
Brent Blend (dated)	$35.85-5.95	+0.75
Brent Blend (November)	$32.80-2.90	+0.60
W.T.I. (1 pm est)	$32.65-2.70y	+0.54
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$421-423	+2
Gas Oil	$285-288	+7.5
Heavy Fuel Oil	$117-120	+3.0
Naphtha	$332-334	+9.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$388.00	-2.00
Silver (per troy oz)♣	483c	+3.00
Platinum (per troy oz)	$459.15	+1.40
Palladium (per troy oz)	$105.25	-0.55
Aluminium (free market)	$2155	-85
Copper (US Producer)	$136\frac{7}{8}$c	
Lead (US Producer)	50.0c	
Nickel (free market)	510c	
Tin (Kuala Lumpur market)	15.37r	+0.03
Tin (New York)	273.0c	+1.00
Zinc (US Prime Western)	81.00c	
Cattle (live weight)†	100.03p	-2.18*
Sheep (dead weight)†	122.07p	-19.4*
Pigs (live weight)†	76.53p	-0.01*
London daily sugar (raw)	$290.0q	+5.00
London daily sugar (white)	$314.5q	+4.80
Tate and Lyle export price	£261.5	+2.00
Barley (English feed)	£116	
Maize (US No. 3 yellow)	£149w	
Wheat (US Dark Northern)	£84.2q	
Rubber (Oct)♥	52.25p	
Rubber (Nov)♥	52.50p	
Rubber (KL RSS No 1 Oct)	241.0m	
Coconut oil (Philippines)§	$275.0v	-2.5
Palm Oil (Malaysian)§	$262.5w	-2.5
Copra (Philippines)§	$205y	
Soyabeans (US)	£143.5	-4.5
Cotton "A" index	80.85c	-0.05
Wooltops (64s Super)	437p	+3.0

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	252.60	258.00	260.40	248.00
Dec	240.00	243.00	240.00	
Mar	234.80	238.00	240.00	231.60
May	235.00	238.60	240.00	236.60
Aug	240.00	240.00	240.20	239.60
Oct	237.40		241.40	231.40
Dec	250.00	245.00	240.00	
White	**Close**	**Previous**	**High/Low**	
Dec	302.0	310.0	310.0	302.0
Mar	304.0	320.0	310.3	301.8
Dec	300.5		304.0	
Mar	302.0	318.0	305.0	301.8

Turnover: Raw 2561 (3392)lots of 50 tonnes. White 1228 (396)
Paris- White (FFr per tonne): Oct 1645, Dec 1610 Mar 1626, May 1640, Aug 1680

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Nov	32.40	32.05	33.00	32.10
Dec	31.00	30.28	32.02	30.35
Jan	30.00	28.79	30.60	29.20
IPE Index	31.52	30.31		

Turnover: 12958 (8555)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Oct	277.75	270.00	282.00	274.00
Nov	275.25	268.75	281.00	272.00
Dec	273.25	267.00	278.00	270.00
Jan	268.50	261.50	271.75	265.50
Feb	259.00	249.00	262.00	258.00
Mar	250.00	239.00	254.00	249.00
Apr	240.00	227.00	241.00	235.00
May	240.00		234.00	

Turnover 12343 (9324)lots of 100 tonnes

COTTON
Spot and shipment sales in Liverpool for the week ending September 14 amounted to 202 tonnes against 632 tonnes in the previous week. Moderate trading occured with support for West African, East African and American growths.

JUTE
September/October c and f Dundee; BTC $525, BWC $530, BTD $485, BWD $495, c and f Antwerp; BTC $505, BWC $505, BTD $460, BWD $460.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	710	728	724	707
Dec	744	758	760	740
Mar	778	791	793	776
May	801	813	812	800
Jul	820	832	835	819
Sep	841	854	854	840
Dec	867	877	872	865

Turnover: 3858 (2700) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 17 1001.73 (992.42) 10 day average for Sep 18 990.30 (991.63)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Sep	585	593	598	580
Nov	604	615	613	596
Jan	616	621	625	614
Mar	616	620	625	621
May	631	635	636	632
Jul	645	648	647	
Sep	662	660	660	

Turnover: 2427 (3629) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 17: Comp. daily 75.89 (75.31). 15 day average 77.02 (77.19)

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	85.9	86.0	82.0	
Apr	132.9	130.5	133.2	130.0
May	147.0	147.0	147.0	144.0

Turnover 113 (137) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	105.00		105.00
Dec	113.50	115.00	113.50

Turnover 54 (15) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Sep	1200		1200	1195
Oct	1200	1220	1220	1194
Jan	1195	1223	1220	1198
Apr	1200		1210	1200
BFI	1197	1200		

Turnover 200 (53)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Sep	110.85		110.85	
Nov	113.10	113.40	113.20	112.85
Jan	117.20	117.45	117.20	117.00
Mar	120.85	120.85	120.80	120.65
May	124.45	124.00	124.45	124.25
Barley	**Close**	**Previous**	**High/Low**	
Nov	112.20	112.80	112.60	112.20
Jan	116.40	116.70	116.45	116.40
May	120.50		120.60	

Turnover: Wheat 308 (245), Barley 64 (18). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	108.5	108.3	106.0
Oct	109.0		109.0
Nov	107.0		107.0

Turnover 17 (2) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 24,189 lots
Cash	2165-7	2200-10	2184	2151-3		
3 months	2078-8	2092-4	2080/2052	2057-8	2076-8	75,357 lots
Copper, Grade A (£ per tonne)						Total daily turnover 29,859 lots
Cash	1580-5	1779-80	1590/1590	1600-10		
3 months	1492-3	1580-5	1544/1486	1501-3	1493-4	119,005 lots
Lead (£ per tonne)						Total daily turnover 2,810 lots
Cash	434-6	438-40	436/435	435.5-6.5		
3 months	445-6	445-6	448/445	445-6	448-9	11,800 lots
Nickel ($ per tonne)						Total daily turnover 2,797 lots
Cash	11025-50	11000-50	11075/11000	11050-100		
3 months	10775-80	10775-800	10850/10700	10800-25	10750-800	9,000 lots
Tin ($ per tonne)						Total daily turnover 2,065 lots
Cash	5820-40	5810-30	5830	5825-8		
3 months	5940-60	5930-40	5950/5930	5948-50	5935-45	5,874 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 1,098 lots
Cash	1530-5	1575-80	1517/1515	1516-9		
3 months	1448-50	1480-5	1480/1423	1435-7	1438-40	20,050 lots

LME Closing £/$ rate: SPOT: 1.9195 3 months: 1.8885 6 months: 1.8805 9 months: 1.8378

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	$387\frac{3}{4}$-$388\frac{1}{4}$	202-$202\frac{1}{2}$
Opening	$391\frac{1}{4}$-$391\frac{3}{4}$	$204\frac{1}{2}$-205
Morning fix	390.55	204.348
Afternoon fix	388.00	200.655
Day's high	$391\frac{1}{2}$-392	
Day's low	$384\frac{1}{4}$-385	

Coins	$ price	£ equivalent
Mapleleaf	397-402	207-210
Britannia	397-402	207-210
US Eagle	397-402	207-210
Angel	397-402	207-210
Krugerrand	387-390	$201\frac{1}{2}$-$203\frac{1}{2}$
New Sov.	92-94	48-49
Old Sov.	92-94	48-49
Noble Plat	464.05-472.05	241.75-245.80

Silver fix	p/fine oz	US cts equiv
Spot	248.90	478.50
3 months	259.00	488.05
6 months	267.80	497.15
12 months	285.40	517.30

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
550	58	78	5	12
600	24	45	21	29
650	8	25	55	59
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	67	109	23	81
750	40	79	46	51
800	23	56	79	78

Brent Crude	Nov	Dec	Nov	Dec
3000			86	
3050		330		290
3150	290			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	387.6	389.4	0	0
Oct	388.7	390.6	389.8	385.7
Nov	391.1	393.0	0	0
Dec	393.3	395.2	394.7	389.7
Feb	397.6	399.4	398.0	394.0
Apr	401.7	403.4	402.1	398.0
Jun	406.0	407.6	407.0	407.0
Aug	410.0	411.5	408.0	406.8
Oct	414.7	416.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	462.0	458.9	465.0	456.0
Jan	469.0	465.4	469.5	464.0
Apr	474.0	471.3	474.0	469.5
Jul	480.0	477.1	480.0	0
Oct	484.5	482.5	484.5	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	479.0	476.6	478.5	478.5
Oct	480.2	477.8	0	0
Nov	483.8	481.4	0	0
Dec	487.7	485.3	488.9	481.0
Jan	490.1	487.7	0	0
Mar	498.1	495.7	499.5	492.0
May	505.1	502.6	505.5	502.0
Jul	512.3	509.8	511.5	510.5
Sep	519.9	517.4	521.0	520.0
Dec	530.9	528.3	531.0	525.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	130.00	133.45	130.40	128.20
Oct	128.65	132.60	130.00	127.80
Nov	126.40	130.10	125.70	124.80
Dec	124.00	127.75	124.50	121.70
Jan	121.60	125.05	121.70	120.50
Mar	117.00	120.05	117.70	115.20
Apr	115.20	118.05	0	0
May	113.30	116.05	114.00	112.80
Jun	111.80	114.30	0	0
Jul	110.00	112.35	110.50	110.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	33.25	33.63	33.70	32.60
Nov	32.66	32.16	33.10	31.90
Dec	31.60	31.15	31.80	30.75
Jan	30.50	30.18	30.75	29.75
Mar	28.60	28.51	29.30	28.10
Apr	27.85	27.86	28.12	27.30
May	27.08	27.30	27.80	26.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	8670	8531	8850	8550
Nov	8800	8645	8845	8665
Dec	8900	8742	8942	8750
Jan	8825	8700	8900	8750
Feb	8550	8430	8615	8550
May	7675	7500	7690	7675
Jun	7510	7375	7570	7500
Jul	7500	7380	7460	7445

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1291	1326	1326	1285
Mar	1332	1368	1368	1330
May	1361	1397	1395	1365
Jul	1390	1426	1409	1395
Sep	1421	1457	1428	1428
Dec	1454	1490	1469	1469

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	93.20	94.00	94.25	93.09
Dec	95.65	96.50	97.25	95.60
Mar	98.70	99.75	100.15	98.70
May	100.75	101.70	101.95	100.75
Jul	102.50	103.90	103.75	102.50
Sep	104.65	105.90	105.00	0
Dec	106.90	107.20	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.82	11.15	11.22	10.75
Mar	10.52	10.71	10.75	10.38
May	10.51	10.70	10.72	10.40
Jul	10.51	10.71	10.74	10.45
Oct	10.56	10.76	10.77	10.56

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	73.75	73.75	73.80	72.51
Dec	72.03	71.60	72.15	71.30
Mar	73.30	72.92	73.35	72.52
May	73.95	73.45	74.00	73.70
Oct	70.00	69.70	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	136.70	134.50	137.70	135.40
Jan	133.00	130.70	133.20	131.75
Mar	133.00	131.05	134.00	132.25
May	133.00	131.05	132.25	132.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 18	Sep 17	mnth ago	yr ago
1796.9	1811.4	1771.3	1897.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 17	Sep 14	mnth ago	yr ago
Spot	129.07	129.07	133.48	129.48
Futures	132.28	132.29	134.23	130.69

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	622/4	615/4	624/0	614/0
Nov	633/2	626/4	635/2	625/0
Jan	648/0	641/2	649/4	640/0
Mar	660/2	654/4	663/0	653/4
May	670/0	663/4	671/4	662/0
Jul	676/0	670/2	678/0	669/4
Aug	668/0	664/4	671/0	661/0
Sep	645/0	640/4	645/0	641/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.76	23.70	23.85	23.70
Oct	23.84	23.66	23.85	23.65
Dec	24.04	23.84	24.05	23.80
Jan	24.25	24.09	24.25	24.05
Mar	24.51	24.32	24.53	24.32
May	24.70	24.55	24.71	24.55
Jul	24.75	24.60	24.75	24.65
Aug	24.57	24.60	24.70	24.58

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	184.2	182.2	184.4	181.0
Oct	185.0	183.1	185.3	182.2
Dec	188.8	186.6	189.5	186.0
Jan	189.8	188.0	190.6	187.7
Mar	192.6	190.6	193.2	190.5
May	193.8	192.1	194.0	192.0
Jul	195.0	193.1	195.0	193.0
Aug	193.2	191.5	194.5	192.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	237/0	235/6	237/6	236/0
Dec	226/0	225/4	227/0	225/2
Mar	236/0	235/2	236/4	235/0
May	242/4	242/0	243/0	241/6
Jul	246/6	246/0	247/4	246/0
Sep	246/2	246/4	246/4	246/0
Dec	247/4	248/0	248/2	247/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	259/4	261/0	260/4	258/2
Dec	275/0	276/0	276/2	273/0
Mar	289/4	290/6	290/4	287/4
May	297/4	296/4	298/0	295/4
Jul	303/0	303/4	304/0	301/4
Sep	308/0	309/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	79.47	79.37	79.62	79.30
Dec	77.27	77.17	77.55	77.07
Feb	75.62	75.62	76.02	75.55
Apr	76.00	75.90	76.27	75.95
Jun	73.95	73.90	74.10	73.80
Aug	72.15	72.15	72.50	72.15
Oct	72.15	72.15	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	53.47	53.00	53.82	53.00
Dec	52.32	52.35	52.85	51.95
Feb	49.35	49.25	49.85	49.00
Apr	45.85	45.90	46.60	45.80
Jun	50.40	50.35	50.90	50.25
Jul	50.50	50.37	50.70	50.50
Aug	49.15	49.00	49.30	48.90
Oct	43.92	43.92	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	56.82	56.65	58.05	55.65
Mar	56.75	56.62	58.00	55.62
May	57.40	57.37	58.40	56.30
Jul	57.12	57.25	58.00	56.20
Aug	54.50	53.90	54.50	0

WHICH FT DIARY WILL YOU CHOOSE FOR 1991?

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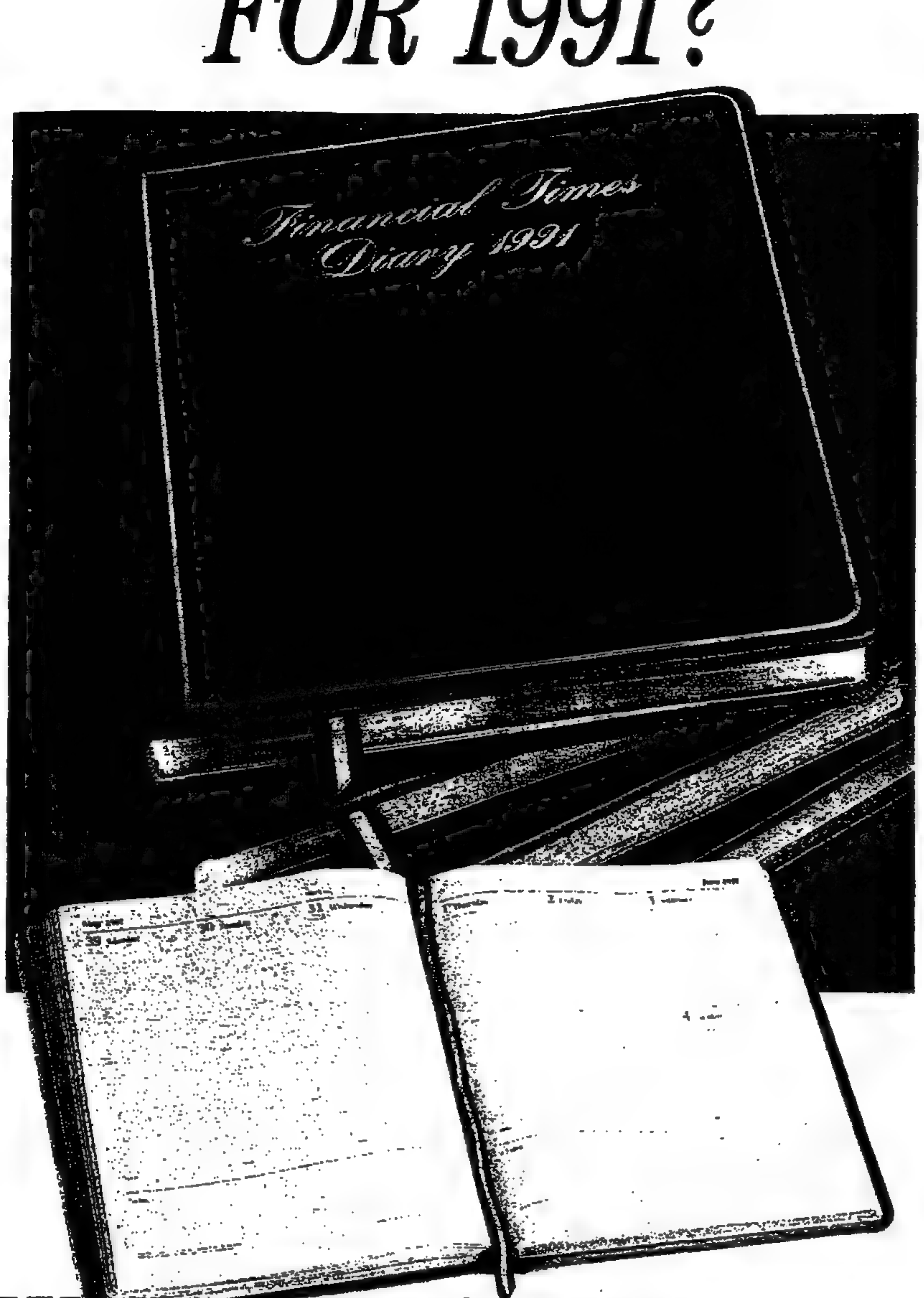

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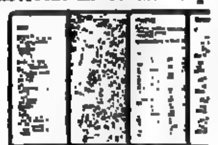

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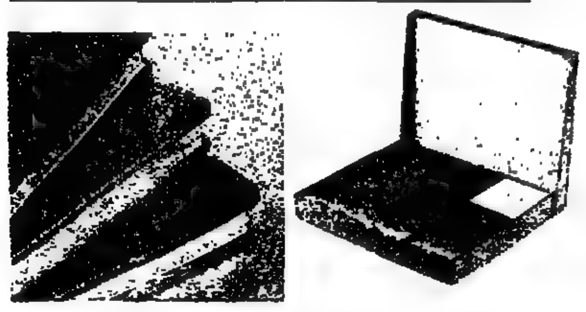

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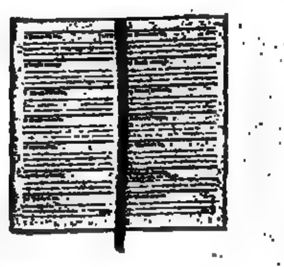

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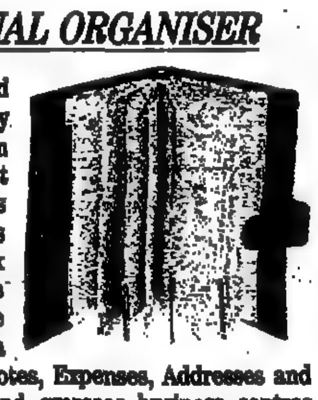

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7015 0475	Desk Diary, burgundy bonded leather	35.18		37.48		38.11		42.03		
7020 0499	Desk Diary, black leathercloth	20.52		22.82		23.45		27.37		
7286 2320	FT Pink Desk Diary	23.98		26.08		25.95		30.43		
7377 3001	Appointments Diary	13.65		15.20		14.91		19.95		
7031 0457	Pocket Diary, black leather	11.15		11.81		11.59		14.19		
7043 0481	Pocket Diary, burgundy bonded leather	10.29		10.95		10.73		13.33		
7262 0561	Pocket Diary, black leathercloth	9.29		9.51		9.40		10.79		
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LONDON STOCK EXCHANGE

FT-SE Index falls to new 1990 low

HIGHER OIL prices, disturbing economic data from across the Atlantic and a new spate of downgradings of UK companies by City analysts all helped yesterday to drive the stock market down to a new low for the year. Investment trading volume was as again dismal, although marketmakers were kept busy frantically passing stock between one another.

The FT-SE Index was more than 33 points off at worst as London anticipated a weak opening on Wall Street. A modest rally left the index at a closing level of 2,064.0, down 30.3 on the session. The previous closing low for the year was 2,075.0 on August 23, although the Footsie traded as low as 2,051.2 on that day.

Account Dealing Dates		
*First Dealings:		
Sep 10	Sep 24	Oct 8
Option Declarations:		
Sep 20	Oct 4	Oct 18
Last Dealings:		
Sep 21	Oct 5	Oct 19
Account Day:		
Oct 1	Oct 15	Oct 29

*New-time dealings may take place from 8.30 am two business days earlier.

Equities tried at first to extend the closing rally of the previous session, brushing aside Tokyo's renewed setback. However, London share prices soon turned off as a jump in the Brent crude price for November delivery sent sterling higher and a small premium on the FT-SE futures contract widened substantially.

Relatively satisfactory trading news from Kingfisher, the high street retailer, and from Taylor Woodrow, a leading housebuilder, gave no help to the market overall, and share prices fell across a broad front. County NatWest downgraded a list of leading conglomerate and industrial stocks and James Capel, the agency broker, did the same for banks.

Some sizeable selling was reported in specific areas, notably in Hawker Siddeley, British Telecom and British Aerospace, but two leading firms said that their client books still showed a modest weighting towards the buy side.

The mark-down across the market gathered pace as London anticipated that Wall Street would weaken after the disclosure of a deficit of $9.33bn on US trade in July and an annual inflation rate of 6.2 per cent in August.

In the event, UK stocks steadied when New York came in a shade better than feared but turned off again as the Dow slipped to a 31-point loss in London trading hours to the accompaniment of further disturbing rumours of trouble in the US banking sector. By the end of trading, the Footsie was only three points above the day's low.

With the exception of oil shares, which benefited afresh from the early strength of crude prices in London, the setback ranged across the market. Stocks with overseas earnings were hit by the strength of sterling, while the building and property sectors continued to suffer as hopes continued to melt of any cut in UK base rates before next year.

The final hour of trading saw London almost demoralised, with share prices content to react to speculative moves in the Footsie futures quotation as it, in turn, followed every twist of the Wall Street market.

FINANCIAL TIMES STOCK INDICES

	Sept 18	Sept 17	Sept 14	Sept 13	Sept 12	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.29	78.31	78.27	78.56	78.61	85.88	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.04	87.10	87.10	87.15	86.63	96.20	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1576.5	1606.1	1609.6	1632.9	1643.3	1948.3	1968.3 (3/1)	1576.8 (18/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	166.2	168.5	169.0	182.5	191.2	203.6	376.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2064.0	2094.3	2093.8	2127.1	2142.3	2361.5	2463.7 (3/1)	2064.0 (18/9)	2463.7 (3/1/90)	986.9 (23/7/84)

	Sept 18	Sept 17	Sept 14	Sept 13	Sept 12	Year Ago
Ord. Div. Yield	6.02	5.91	5.78	5.81	5.76	4.18
Earning Yld %(full)	12.63	12.39	12.17	12.27	12.17	10.01
P/E Ratio(Net)(☆)	9.60	9.78	9.96	9.88	9.95	12.04
SEAQ Bargns 4.45pm	17,615	16,318	18,558	15,684	18,791	23,053
Equity Turnover(£m)†	-	527.48	619.09	569.67	790.03	654.36
Equity Bargains†	-	16,163	10,854	16,019	17,774	23,654
Shares Traded (ml)†	-	270.1	324.5	305.3	346.4	344.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.45

Ordinary Share Index, Hourly changes   Day's High 1610.5   Day's Low 1574.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1610.5	1605.2	1593.0	1589.9	1585.5	1582.1	1575.5	1581.1	1581.3

FT-SE, Hourly changes   Day's High 2100.5   Day's Low 2061.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2100.5	2094.2	2081.0	2079.6	2075.8	2070.2	2062.3	2068.3	2068.9

GILT EDGED ACTIVITY

Indices*	Sept 17	Sept 14
Gilt Edged Bargains	63.0	90.2
5-Day average	78.6	81.3

*SE Activity 1974.
†Excluding intra-market business.
‡ Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

Profit forecasts hit BT

THE VIEW of British Telecom as one of the market's recession-proof stocks was dented yesterday after two of the City's more influential investment houses, BZW and Hoare Govett, cut their profits estimates for the company.

Hoare reduced its current year forecast from £3.045bn to £3.01bn, or from 32.5p of earnings per share to 32.1p, and its estimate for the year to March 1992 from £3.415bn to £3.35bn. Hoare said the downgrades came in the wake of signs of a slowing in call volume growth, escalating costs – a 10 per cent pay increase for telecoms unions is just going through – and indications that the cellular radio business, where BT has a controlling interest in Cellnet, is having a tough time.

BZW changed its recommendation from a buy to a hold and lowered its profits forecast for next year from £3.55bn to £3.46bn; for the current year BZW stuck with £3.05bn. Mr Robert Millington at BZW said the downgrade was made to accommodate a cut in BZW's estimates of non-oil UK GDP growth for the current year from 0.7 per cent to 0.5 per cent, and for next year from 2 per cent to 1.5 per cent. He pointed to concern about the forthcoming duopoly review of the UK telecommunications business and the political risk factor of a possible Labour general election victory.

Mr Millington also noted that BT had outperformed the market by 24 per cent this year. The shares closed yesterday down 9 at 276p.

Kingfisher pleases

Kingfisher was the best performer in the FT-SE 100 index after posting interim figures at the top of the range of analysts' forecasts.

Profit was 2.6 per cent ahead, but analysts were particularly impressed with the 18 per cent rise in retailing profit, especially from its B & Q DIY chain. The DIY sector is regarded by analysts and retailers as having been hard hit by the slowdown in consumer spending.

Mr Keith Wills at Goldman Sachs said an improvement in margins at B & Q seen last year had carried on into 1990. However, he said his full year forecast was at the top of the range and he was likely to trim it by £5m to £215m.

A more optimistic line was taken by Mr John Smith at UBS Phillips & Drew. He held to his £225m estimate for the full year. He added that interim downgradings ahead of yesterday's results had frightened some in the market, so that the share price rise of 11 to 318p was largely a reflection of relief. Turnover was a solid 3.7m shares.

County NatWest added its name to the long list of securities houses turning bearish on conglomerates in the wake of last week's results from BTR. County cut its forecast for full year profits at Hanson from £1.41bn to £1.35bn and took the stock off its core buy list. Hanson lost 6½ to 188p as a strong 12m shares were traded. It was also the busiest instrument on the traded options market, where contracts for the equivalent of almost 6m shares changed hands.

BTR gave up another 7 to 306p and ICI shed 18 to 824p, another 4½-year low, as Kleinwort Benson trimmed its profits estimate for the second time in as many weeks.

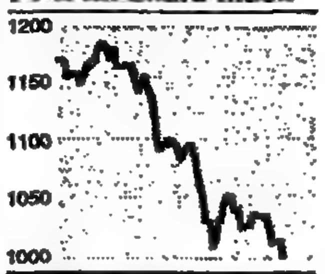
Grand Metropolitan fell 20 to 547p as analysts began to downgrade their profit forecasts for next year. The group is seen as vulnerable to currency trends because 50 per cent of its earnings are US dollar-related.

An across-the-board profits downgrading in the banks sector by James Capel, the agency broker, was most acutely felt by NatWest, which dropped 15 to 249p on exceptionally heavy turnover of 6.2m. Capel's Mr Richard Colman reduced his NatWest forecast, already among the lowest in the market, by 20 per cent. For the other major banks Capel reduced its profits estimates by 10 per cent. The broker said it now saw no UK interest rate cut until the end of the first quarter next year, which would increase the burden on UK companies and restrict the banks' loan growth.

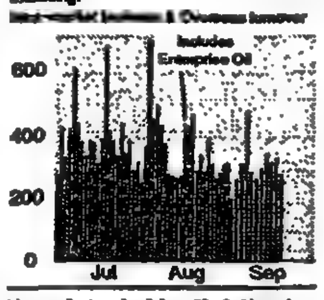
Barclays Bank dipped 7 to 316p on 6m, Lloyds 11 to 248p on 1.6m and Midland 12 to 225p on 2.5m. Merchant bank Kleinwort Benson lost 9 to 284p.

Slight disappointment with the interim dividend saw Refuge dip 12 to 615p, while talk of a persistent seller in the market upset Sun Life, which closed 30 down at 1033p.

British Aerospace dipped 12 further to 541p as buyers continued to hold off following Monday's report that Saudi Arabia may cancel options on Tornado aircraft. BAe stated yesterday that the report was unfounded and the Saudis may not only embark on a £10.6bn arms deal with the US but also increase British orders. Hoare Govett, brokers to BAe, said it was confident that the still unconfirmed order for 48 aircraft would go ahead.



FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover

Hawker Siddeley fell again on the back of Monday's gloomy results and predictions. The shares closed 21 down at 406p. Continuing fears of cuts in defence spending again weighed on Rolls-Royce, which ended 5½ off at 175½p after reasonably heavy turnover of 7.1m shares.

Dowty weakened 13 to 180p and IMI, a strong overseas earner under pressure from the rise in sterling, lost 10 to 199p.

The proposed marriage of two environmental groups brought contrasting movements in the respective share prices. H.T. Hughes responded positively to agreed share exchange terms from Leigh Interests, rising 40 to 121p. The latter, however, dropped 34 to 264p in spite of a higher profits forecast. Leigh predicted record interim profits of not less than £6.7m, which would represent a jump of 91 per cent from the corresponding period last year.

Dr Edmund Bradley of Citicorp Investment Bank believes Leigh has got a good deal. He said: "Not only does the purchase of 15m cubic metres of landfill space in the south-east give it a strong presence in an area of the country where it is not well represented, but it also more than doubles the amount of consented landfill space owned by Leigh."

A steep decline in preliminary profits at F. Copson was accompanied by news that the group is pulling out of the building supplies business and concentrating on developing its leisure businesses. Copson dropped 10 to 38p.

An announcement from the Tom family that it had failed to find a buyer willing to pay what it considered the right price for its controlling stake in Bardon, the quarrying and building products group, left the shares floundering. At the close they were 42 off at 124p. The Tom family put its 57 per cent interest up for sale in July and held discussions with a number of prospective buyers.

Cala became the latest in a long list of housebuilders to report a slump in profits. Cala's interim profits shrank from £10m to £3.8m, after a £4m land bank write-down. Cala lost 10 to 71p.

Bowthorpe, the electronics components group, was one of few stocks in the electronics/telecoms area to gain ground, responding to interim figures above market expectations. Profits came out at £23.7m, against last time's £21m and forecasts ranging up to £23m. The profits included a currency gain of £1.2m.

The Racal twins, poor performers during recent sessions, outperformed the wider market as Racal's senior management reassured a number of institutions at a lunch hosted by broker Henderson Crosthwaite. Racal told institutional investors that early signs on installations for September were much more encouraging than those for August. Racal Electronics edged forward 2 to 150p and Telecom gained 7 to 237p.

It was a bad day for frozen food. Both Iceland Frozen Foods and Hazlewood Foods, whose biggest division is in the sector, fell steeply. Analysts downgraded both after results and a cautious statement from the first and meetings with the second. Mr Mark Chewter at County took his Iceland full year profits forecast to the bottom of the range at £38m, which is £2m below his previous estimate. Mr Julian Hardwick at BZW cut £6½m from his Hazlewood full year forecast, taking it to £51½m. County and Kleinwort Benson also downgraded Hazlewood.

Iceland lost 15 to 290p, while Hazlewood also retreated 15 to 127p. Both companies had suffered from high demand for fresh produce during the hot summer. Mr Hardwick said that after yesterday's fall, there was little downside left in Hazlewood.

Tate & Lyle bucked the market's weakness on consideration of the news that Archer-Daniels-Midland, the US food group, had increased its stake in the company to 6.02 per cent. Last month Archer raised its holding to 5.1 per cent from 4.9 per cent. Tate closed a penny to the good at 245p.

Tesco was again buoyed by analysts' public optimism for results due out today. The shares added 2 at 231p, with Sainsbury caught up in the good mood and a penny better at 305p.

MB Group, the building products supplier, shed 11 to 156p as analysts expressed doubts over its ability to achieve forecast profits. Some felt that the interim results, due tomorrow, might not meet the £55m projected. The range for the full year is from £100m to £110m, but a few months ago predictions ranged as high as £135m. Tomorrow's figures are expected to reflect the best half of the year.

Wassall continued to weaken, losing 9 to 149p, although the company reported sharply higher half-yearly profits and expressed confidence over achieving a satisfactory outcome for the whole year.

Nervousness over the anticipated announcement of a bank refinancing package for Eurotunnel was behind a fall of 20 to 308p. The shares also succumbed to the weakness of the French stock market – more than half of the shares are held in France.

A rise in half-year profits to £6.2m from £4.9m and an optimistic statement from the chairman enabled Horace Clarkson, the shipping broker, to buck the market's fall and harden 2 to 208p. AB Ports tumbled 15 to 206p. Traders said the shares were reacting to small sales on a quiet day when no-one was buying.

Properties continued to suffer the effects of high borrowing costs and a sombre assessment of the sector by Paribas Capital Markets Group. Among leading stocks, British Land stalled after an early attempt to rally and closed 8 lower on the day at 235p. Sentiment was again soured by Monday's announcement that the company's controversial restructuring proposals had finally been abandoned.

Countryside Property provided another example of the depressed state of the housing market, recording a sharp fall of 19 to 80p. Greycoat moved down 6 to 369p on a sell recommendation from Kleinwort Benson. The investment bank saw the stock as over-priced at current levels, although it described the company as "one of the outstanding investment developers in the sector."

A 78 per cent plunge in half-time profits to £459,000 from Fitch RS, the design consultancy, was accompanied by the resignation of the company's chief executive and a fall in the shares of 27 to 48p.

A single seller of 250,000 Saatchi & Saatchi at 40p took the floor from under the stock and left it 6 lower at 40p. The gloom spread to other agencies, with Lowe receding 8 to 265p, Hanover Druce 15 to 45p and WPP 10 to 475p.

Davies & Newman recovered 45 of Monday's 145p slide to close at 235p. Turnover more than doubled to a still insignificant 5,000 shares.

A warning about second-half prospects offset the affect of increased interim profits on Bluebird Toys and the shares tumbled 26 to 64p. The board said it was more confident for 1991.

■ Other Market statistics, including the FT-Actuaries share index, Page 24

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
AGT	1,300	146	-5
ASDA Group	4,800	115	
Abbey National	1,400	212	-1
Allied-Lyons	720	458	-9½
Amstrad	2,100	37	-1
Anglian Water	837	232	+2
Argos	441	224	
Argyll Group	1,100	235	-3
Ass. Brit. Foods	57	407	-1
BAA	684	384	-6
BAT Inds.	1,100	527	-7
BET	2,100	321	-4
BICC	664	339	
BOC	459	458	-14
BPB Inds.	844	174	-3
BTR	1,100	306	-7
Barclays	6,000	316	-7
Bass	542	881	-7
Beazer	723	113	-1
Berisford Int.	515	41	
Blue Circle	1,100	189	-6
Boots	1,800	280	-3½
Brit. Aerospace	1,800	541	-12
British Airways	3,000	168	-2
British Gas	8,000	217	-2
British Land	1,800	236	-8
BP	6,800	358	+1
British Steel	4,500	119	-2
British Telecom	7,000	276	-9
Bunzl	540	64	+1
Burmah Castrol	35	466	-9
Burton	3,600	82	-4
Cable & Wire.	785	438	-18
Cadburys	1,100	321	-3
Calor Group	351	237	+1
Carlton Comms.	432	330	+5
Coats Viyella	1,200	98	-1
Comm. Union	1,300	442	-10
Cookson	1,300	86	-4½
Courtaulds	919	305	
Dalgety	898	357	+1
Dixons	1,800	127	-4
ECC Group	1,300	330	-9
Enterprise Oil	1,300	694	+6
FKI	879	46	-1
Ferranti	3,500	23	+1
Fisons	1,000	352½	-8½
Gen. Accident	1,400	465	+2
General Elect.	3,200	175	-3
Glaxo	2,000	721	-8
Glynwed Int.	731	216	-6
Granada	134	[illegible]	[illegible]
Grand Met.	3,100	[illegible]	[illegible]
GUS A	347	[illegible]	[illegible]
GRE	1,600	[illegible]	[illegible]
GKN	1,000	[illegible]	[illegible]
Guinness	1,800	[illegible]	[illegible]
Hammerson 'A'	377	[illegible]	[illegible]
Hanson	12,000	[illegible]	[illegible]
Hanson Warrants	307	39	-2
Harrisons Crosfield	445	134	-2
Hawker Sidd.	2,300	408	-21
Hillsdown	1,100	257	+2
IMI	421	199	-10
ICI	1,500	824	-18
Inchcape	825	212	-8
Kingfisher	3,700	318	+11
Ladbroke	2,000	261	-3
Land Securities	325	471	-4
Laporte	139	445	-13
Legal & General	815	375	-2
Lloyds Abbey	515	316	-4
Lloyds Bank	1,600	248	-11
LASMO	2,000	479	+8
Lonrho	899	242	-2
Lucas	3,500	124	-2
MB Group	1,600	144	-12
MEPC	416	434	-5
Manpower	1,400	60	+2
Marks & Spencer	2,100	222	-1
Maxwell Comms.	985	167	+1
Midland Bank	2,500	225	-12
NatWest Bank	6,200	249	-15
Next	4,700	35	+½
North West Water	130	225	+1
Northern Foods	272	332	-1
Northumbrian Water	3	232	+2
Pearson	291	684	+3
P & O	1,000	487	-8
Pilkington	665	162	-4
[illegible]	[illegible]	[illegible]	[illegible]
Reckitt & Colman	214	1184	-12
Redland	376	480	-6
Reed Int.	1,900	370	-8
Reuters	1,100	777	-23
Rolls Royce	7,000	175½	-5½
Rothmans	553	659	-12
Ryl Bk Scotland	554	138	-4
Royal Insurance	1,300	382	-11
STC	1,700	335	-4
Saatchi	682	40	-6
Sainsbury	2,600	305	+1
Scottish & New.	1,500	334	-6
Sears	1,400	82	-2
Sedgwick	898	180	-6
Severn Trent Water	1,300	222	+5
Shell Transport	3,600	467	
Siebe	214	346	-14
Slough Ests.	380	279	
Smith (W.H.) A	290	221	-5
Smith & Nephew	1,100	96½	-1
SmKl Beecham	1,100	535	-12
SmKl Beecham Units	28	2418	-42
Smiths Inds.	381	195	-3
South West Water	16	238	+2
Southern Water	135	215	
Standard Chartd.	413	349	-11
Storehouse	2,900	130	
Sun Alliance	311	279	-8
Sun Life	35	1033	-30
T&N	309	152	-3
TI Group	266	405	-6
[illegible]	[illegible]	[illegible]	[illegible]
Trusthouse Forte	1,800	228½	-4
Ultramar	1,300	380	+4
Unigate	140	285	-2
Unilever	1,000	801	-14
United Biscuits	1,400	321	
Utd. Newspapers	291	299	+1
Water Package Uts.	0	£2285	+12
Wellcome	285	480	-8
Welsh Water	117	249	+1
Wessex Water	87	224	+2
Whitbread 'A'	2,800	421	-13
Wiggins Teape	787	188	+1
Williams Hldgs.	770	201	-9
Willis Faber	124	201	-2
Wimpey	338	172	-1
Yorkshire Water	12	340	+1

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (4).
BRITISH FUNDS (3) ELECTRICALS (1).
NEW LOWS (357).
AMERICANS (5) CANADIANS (4) BANKS (14) BREWERS (1) BUILDINGS (32) CHEMICALS (6) STORES (16) ELECTRICALS (16) ENGINEERING (25) FOODS (3) HOTELS (1) INDUSTRIALS (84) AAH, Abbeycrest, Assoc. Brit. Ports, Avon Rubber, BSS, BTR Wrrnts. 1992/93, Do. Wrrnts. 1993/94, Beaverco, Beckenham, Bluebird Toys, Brammer, Bridon, Brit. Steel, Brompton, Brown & Tawse, Business Tech., CH Inds., Cahill May Roberts, Cannon St. Invs., Cargo Control, Charter Cons., Chestergate, Clayhithe, Cookson, Courtney Pope, Crests, Davis (Godfrey), Dean & Bowes, Dobson Park, ECC, EFG, Eleco, Electrolux, Erskine Hse 7¼pc Pf., Grampian Hldgs., Grovewood, Halls Homes & Gdns., Hampson Inds., Handley-Walker, Hanson, Do. Wrrnts., Harrisons & Crosfield, ISA Intl., Johnson Cleaners, Johnson Matthey, Jourdan (T.), Low & Bonar, MB, Do. 7.25p Cv. Pf., Macarthy, Morgan Crucible, NMC 7¼pc Rd. Pf., Nestor-BNA, Norton, Nu-Swift, Portmeirion Pots., Rank, Ricardo, Scapa, Scot. Heritable Tst., Securicor A N/Vtg., Securiguard, Security Servs., Siebe, Sketchley, Smith Inds., Somic, Stocklake, Stora B Free, Stormgard, Syltone, Tomkins, Do. 5¼pc Cv. Pf., Trafalgar Hse., Unilever, Vinten, Walker Greenbank, Wassall, Waterman Partnership, Williams, Do. 5½pc Cv. Pf., Do. 8p Cv. Pf., Wolseley, Wyndham,

INSURANCE (4) LEISURE (11) MOTORS (12) NEWSPAPERS (3) PAPERS (10) PROPERTY (26) SHOES (1) SOUTH AFRICANS (2) TEXTILES (2) TRANSPORT (6) TRUSTS (30) OILS (2) OVERSEAS TRADERS (5) MINES (6) THIRD MARKET

APPOINTMENTS

Changes at Taylor Woodrow

■ Mr Mike Hinge *(pictured)* has been appointed a director of TAYLOR WOODROW CONSTRUCTION, a main UK subsidiary of the Taylor Woodrow Group, and managing director of Taylor Woodrow Management Contracting, of which he was joint managing

director with Mr John McKenna, who retains the chairmanship, and has moved to other group appointments. Mr Hinge is also managing director of Taylor Woodrow Design Build.

Joining the board of Taylor Woodrow Management Contracting are Mr Albert Bowyer, who was deputy to Mr Hinge, and Mr Robert Howson, who was commercial manager.

■ INTRUM JUSTITIA NV, the European debt collection and credit control agency, has made a number of appointments to the board of Justitia International, its UK holding company. The appointments follow the acquisition of CAS Group, a UK consumer debt collection agency, by Intrum Justitia in August.

Mr Tim Wightman has become managing director; Mr Nino Allenza, Mr Leslie Hawkins, Mr Fred Chiswell and Mr David Wade have been made directors. Mr Leslie Hawkins has also been appointed managing director of Justitia Unicol.

Mr David Mullen has resigned from the supervisory board of Intrum Justitia and as a managing director of Justitia Unicol.

■ Mr Evan Jones has been appointed managing director of REEBOK UK, Lancaster, from October 1. He succeeds Mr Peter McGuigan, now managing director of parent company Reebok International. Mr Jones is managing director of Black and Decker UK.

■ The Nikko Bank (UK) has formed THE NIKKO LEASING CO, with Mr Takashi Kato, chief executive of the bank, as chairman. Other appointments include Mr Barrie Smith, managing director; Mr Akira Hirano; Mr Paul Oliver; and Mr Masao Inagaki (non-executive), chairman of The Nikko Securities Co (Europe).

■ Mr Bruce Standring has been appointed managing director of THREE QUAYS INTERNATIONAL from September 24 following the retirement of Mr Ewan Sweeney. Mr Standring also becomes chairman of subsidiaries Three Quays Marine Services, Peninsular Electronics, Broadgate, and Marine Safety Services.

Mr Martin Elliston, deputy managing director of Three Quays Marine Services, has been promoted to managing director, and Mr Ian Bennett, engineering manager, becomes technical director.

■ Mr Terry Fisher has been appointed works director at DAVID BROWN RADICON, Huddersfield. He was manufacturing director with the Trianco group.

■ Mr William J. Blomquist has been elected executive vice president of AMERICAN EXPRESS BANK, and becomes head of its Europe, Middle East and Africa region. He will be based in London. He was senior vice president and head of American Express Bank (Switzerland), and senior vice president and deputy president of TDB American Express Bank.

■ From October 1 Mr Antonio Casas-Gonzalez becomes managing director of PETROLEOS DE VENEZUELA EUROPE, based in London. He is a former minister of the state planning organisation, and deputy minister of development.

■ From October 5 Mr Mark H. Sturdy has been appointed a director of GERRARD & NATIONAL LTD, discount house subsidiary of Gerrard and National Holdings.

■ Mr John Doswell has been appointed deputy chairman of BERKMANN WINE CELLARS, UK agent for Georges Duboeuf. He has been marketing director at Hedges and Butler, and then at Matthew Clark.

Mr Peter Thomas *(pictured)* has been appointed chief executive of LOPEX. He is chief executive of a subsidiary, Purchasepoint.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99½	96½	Treas. 10pcCv 1990	99½	+⅛	10.05	14.32
98⅞	93½	Exch 2½pc 1990	98⅞	.....	2.54	11.07
99½	97⅞	Treas 11½pc 1991	99⅛	.....	11.86	14.32
96¾	92¼	Funding 5¾pc '87-91	96¾	.....	5.94	11.93
95⅝	89½	Treas. 3pc 1991	95⅞	.....	3.16	10.89
97⅞	94⅞	Treas 10pc Cv '91	97⅝	.....	10.24	13.21
97⅞	94⅞	Exch. 11pc 1991	97⅞	+⅛	11.26	13.31
94⅞	90½	Treas. 8pc 1991	94⅞	.....	8.46	12.93
101⅞	97¼	Treas 12¾pc 1992	99⅞	.....	12.76	12.75
96⅞	92⅜	Treas 10pc 1992	96⅜	-⅛	10.38	12.79
93¼	89¼	Treas. 8pc 1992	93⅝	.....	8.56	12.69
97⅞	93⅞	Treas 10½pc Cv 1992	96¾	.....	10.85	12.68
88⅞	82⅞	Treas. 3pc 1992	88⅞	.....	3.38	10.13
100⅞	95⅞	Exch. 12¼pc '92	99⅞	.....	12.34	12.63
104	98⅞	Exch 13½pc 1992	101⅝	.....	13.28	12.51
92⅞	86¼	Treas 8¼pc 1993	91⅞	.....	9.00	12.21
96⅞	90⅝	Treas 10pc 1993	95⅞	.....	10.51	12.24
103	96⅞	Treas 12½pc 1993	100⅝	.....	12.42	12.21
86⅞	82	Funding 6pc 1993	86⅞	.....	6.93	11.45
107	99⅞	Treas 13¼pc 1993	104	+⅛	13.22	12.08
91	84¼	Treas. 8¼pc 1994	89⅞	+⅛	9.46	12.21
111⅞	102⅝	Treas 14½pc 1994	106⅞	+⅛	13.57	12.03
107	99⅞	Exch 13½pc 1994	103⅞	+⅛	13.03	12.19
96⅞	88⅞	Treas. 10pc Ln. 1994	93⅞	+⅛	10.65	12.02
104⅞	96⅞	Exch. 12¼pc 1994	101	+⅛	12.37	12.14
92½	85	Treas 9pc 1994	90⅞	+⅛	9.98	12.07
103⅞	94⅞	Treas 12pc 1995	99⅞	+⅛	12.04	12.07
81	73	Exch 3pc Gas 90-95	78	.....	3.80	8.55
96⅞	88⅞	Exch. 10¼pc 1995	93⅞	+⅛	10.97	12.04

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108	97⅞	Treas 12¾pc 1995	102⅞	+⅛	12.39	11.93
112⅞	101⅞	Treas. 14pc '96	106⅞	+⅛	13.16	12.29
92⅞	82⅞	Treas. 9pc 1992-96	88¼	+⅛	10.20	11.95
119⅞	107⅞	Treas 15¼pc 1996	111⅞	+⅛	13.64	12.22
110⅞	99⅞	Exch 13¼pc 1996	104⅞	+⅛	12.73	12.19
96⅞	85½	Conversion 10pc 1996	90⅞	+⅛	11.02	12.12
112⅞	98⅞	Treas 13¼pc 1997	104⅞	+⅛	12.72	12.25
99⅞	87⅞	Exch 10½pc 1997	92⅞	+⅛	11.32	12.12
91⅞	79⅞	Treas 8¾pc 1997	85	+⅛	10.29	11.97
121⅞	106½	Exch 15pc 1997	112⅞	+⅛	13.37	12.34
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	(1)	(2)
121⅞	110¾	Tr. 2pc '92(97.8)	121⅞	[illegible]	[illegible]	[illegible]
111⅞	103¾	Do. 2 '94(102.9)	111⅞	[illegible]	[illegible]	[illegible]
161⅞	150⅝	Do. 2pc '96(67.9)	161⅞	[illegible]	[illegible]	[illegible]
131⅞	123½	Do 2½pc '01(78.3)	131⅞	[illegible]	[illegible]	[illegible]
128⅞	119⅞	Do 2½pc '03(78.8)	127⅞	[illegible]	[illegible]	[illegible]
131⅞	122	Do. 2pc '06(69.5)	129⅞	[illegible]	[illegible]	[illegible]
123⅞	113⅞	Do. 2½pc '09(78.8)	119⅞	[illegible]	[illegible]	[illegible]
128⅞	117⅞	Do. 2½pc '11(74.6)	123⅞	[illegible]	[illegible]	[illegible]
107⅞	97⅞	Do. 2½pc '13(89.2)	102⅞	[illegible]	[illegible]	[illegible]
115⅞	105⅞	Do. 2½pc '16(81.6)	110⅞	[illegible]	[illegible]	[illegible]
113⅞	102⅞	Do. 2½pc '20(83.0)	106⅞	[illegible]	[illegible]	[illegible]
95⅞	86⅞	Do. 2½pc '24 ‡‡(97.7)	89⅞	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1990: 119.5 and for August 1990: 128.1.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100⅝	84⅞	African Dv Bk 11¼Ln 2010	91⅞	[illegible]	[illegible]	[illegible]
98⅞	80⅞	Asian Dev Bk 10¼pcLn 2009	87⅞	[illegible]	[illegible]	[illegible]
110⅞	80⅞	Int-Am Dev Bk 12½pc 2003	100⅞	[illegible]	[illegible]	[illegible]
91⅞	76⅞	Do. 9½pcLn 2015	82⅞	[illegible]	[illegible]	[illegible]
109	79⅞	Mlysia 10¼pcLn 2009	[illegible]	[illegible]	[illegible]	[illegible]
110	55	Utd. Mexican States 16½pc 2008	10[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104	86½	Birmingham 11½pc 2012	92½	[illegible]	[illegible]	[illegible]
91½	84½	GLC 6¾pc 1990-92	91½	[illegible]	[illegible]	[illegible]
107½	95	Leeds 13½pc 2006	104½	[illegible]	[illegible]	[illegible]
93	20	Liverpool 3½pc Irred.	2[illegible]	[illegible]	[illegible]	[illegible]
35	24	LCC 3pc '20 Aft.	25	[illegible]	[illegible]	[illegible]
94½	85½	Manchester 11½pc 2007	90½	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
206	206½	Nthrd 2½pc Non-Assd	206	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
21⅞	8¼	Chase Manhattan $12½	8⅞	[illegible]	$2.48	-	16.1
19⅞	10¼	Chem. Banking Corpn.	10⅞	[illegible]	$2.72	-	14.2
12½	6	Chrysler $6¼	6⅞	[illegible]	$1.20	-	10.5
18⅞	8⅞	Citicorp $1	8⅞	[illegible]	$1.78	-	10.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9½	ABN Amro Fl5	£10	–⅛	Q28%	2.1	8.4	5.6
303	189	ANZ $A1	189	......	44c	1.4	10.0	7.1
229	172	Abbey National 10p	212	–1	5.7	4.3	3.6	8.6
*274	144	Allied Irish Ord	155	+2	Q40%	3.3	5.8	7.0
		For Algemene see ABN Amro						
85	52	Anglo Irish	53	–1	†Q18.7%	2.7	7.9	7.6
93	65	Ansbacher (H.) 1p	65	......	2.5	1.3	5.1	18.7
£71½	£39½	Bancaire Cie Fr100	£39½	–⅞	Q12½%	–	3.3	–
£22½	£15¼	Banco Bilbao Viz	£16¼	......	Q49.1%	2.7	4.8	11.4
280	149	Bank Ireland IrL1	153	+1	Q14.7%	2.9	8.6	5.4
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
125	104	Bank Scotland	107	–2	4.55	3.3	5.7	7.1
100½	83½	Do. 9½pc Irrd Pf	95½	+½	9½%	–	12.9	–
54	39	Bank of Wales	44	......	2.8	0.8	8.5	(21.1)
428	313	Barclays £1	316	–7	†h19.57	3.5	8.3	4.4
22	12	Benchmark 20p	13	+1	1.63	1.0	16.7	7.5
335	265	Brown Shipley £1	265	–10	12.0	2.2	6.0	8.6
*435	315	Cater Allen £1	315	–4	R24.5	–	10.4	–
179	74	Chancery	75	......	9.0	2.7	16.0	3.0
£23¾	£16¾	Commerzbk DM10	£17¼	......	Q18%	–	3.6	–
£13¼	675	Dai Ichi KBk Y50	675	–8	Q17%	♦	0.5	♦
£313½	£214½	Deutsche Bk DM50	£214½	–3½	Q28%	–	2.2	–
£20¾	£15¼	Espirito Santo	£15¼	......	Q75c	5.1	2.6	7.4
253	172	First Nat. Fin. 10p	173	–3	13.0	2.1	10.0	5.9
121	88	FNFC 6.3pc Cv Pf	90	......	6.3%	–	9.3	–
£13¼	800	Fuji Bank Y50	863	......	Q17%	♦	0.4	♦
325	262	Gerrard & National	278	–1	19.0	–	9.1	–
156	110	Guinness Mahon 10p	110	–2	2.1	–	2.5	–
320	194	Hambros 20p	210	–1	11.5	–	7.3	–
128	90	Do. 7.5pc Cv Pf	90xd	–1	7½%	–	11.1	–
53½	34½	HK & Shang. HK$2.50	34½xd	–½	†hQ38c	–	7.4	–
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

For Swanyard Studios see LEISURE

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¢ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ǁ No par value

B.Fr. Belgian Francs. Fr. French Francs ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. γ	800	....
Finlay Pkg 5p... γ	51	....
Holt (Jos) 25p.....γ	1385	....

IRISH

Cap 8½% Ln. 1991...	£98	....
9pc Cap Ln. 1996..	£91¼	-¼
Fin 13% 97/02...	£100½	....
Arnotts..	180	....
Carrol (P.J.).......γ	112	+2
Hall (R. & H.)......	165	....
Heiton Hldgs......γ	50	....
IRG.....................	158	....
United Drug........	138	-5

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5¼
FNFC	20
Gen Accident	46¼
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	48
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	58
Vickers	19
Wellcome	38

Property	
Brit Land	24
Control Secs	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils	
Aviva Petm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines	
Lonrho	21
RTZ	40

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	41.07	41.07	44.70	-0.36	6.12
Gilts & Fixed Int	6	103.1	103.3	109.5	+0.1	10.00
High Inc Equity	6	118.9	118.9	127.1	-0.7	5.00
Worldwide Bond	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital Growth						
American Growth	6	151.0	151.0	161.4	...	1.39
Asian Pacific	6	103.7	103.7	110.9	-3.2	[illegible]
Assets & Earnings	6	141.1	141.1	150.9	-0.6	3.11
Capital Reserve Acc	0	95.09	95.09	95.94	+0.18	7.44
Capital Reserve Inc	0	80.60	80.60	80.64	+0.15	7.44
Commodity & Energy	6	85.49	85.49	91.43	-0.83	1.12
1992 Enterprise	6	54.25	54.25	58.00	-0.24	3.56
Euro Capital Acc	6	85.76	85.76	91.72	-0.61	1.00
Euro Capital Inc	6	82.35	82.35	88.07	+0.59	1.00
General	6	153.1	153.1	163.7	-0.7	3.05
Japan	6	84.52	84.52	90.39	-2.70	0.00
Mastertrust	6	77.30	77.30	82.56	-0.54	2.05
UK Growth Acc	6	150.9	150.9	161.3	-0.1	2.52
UK Growth Dist	6	98.56	98.56	105.4	...	2.52
US Emerging Cos	6	43.70	43.70	46.73	-0.18	0.00
Income & Growth	6	261.4	261.4	279.5	-0.2	3.67
Ethical	6	42.18	42.18	45.11	-0.22	2.[illegible]
International	6	52.85	53.22	56.92	-0.46	0.[illegible]
Dividend & Growth	6	40.40	41.35	44.00	-0.11	5.11
Global Gwth & Soc	6	45.99	46.13	49.07	-0.11	2.06

Brown Shipley & Co Ltd—Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Recovery	6	37.19	37.19	39.61	-0.16	2.56
Smaller Cos Acc	6	203.6	203.6	218.4	-0.78	-
Smaller Cos Inc	6	124.7	124.7	134.1	-0.48	2.46

Bryceount Unit Tst Mgmt Ltd (1400)F
Harcourt Hse, Portman Sq, W1H 0JD 071-935 6382
Income Growth 1 | 162.9 | 162.9 | 169.3 | -7.4 | 6.02

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216
Short Dated Gilt 1¼ | 58.30 | 58.30 | 59.10 | +0.02 | 12.62

GUIDE TO UNIT TRUST PRICING

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks						
Admin 0296 394000 Dealing 0296 312156						
American Eagle	5	60.45	60.45	64.50	-0.64	1.19
Australia	5	6.359	6.359	6.803	[illegible]	3.42
Equity	5	139.0	139.0	149.3	[illegible]	[illegible]
Euro Spec Sits	5	101.3	101.3	109.1	-1.9	[illegible]
Financial	5	24.43	25.04xd	26.94	-0.27	3.21
Global Opps Inc	5	58.83	58.83	63.23	[illegible]	0.00
Global Opps Acc	5	59.27	59.27	63.71	-0.75	0.00
Gold & Gen Inc	5	41.17	41.17	44.21	-0.1	2.90
Gold & Gen Acc	5	76.74	76.74	82.39	-0.3	0.90
Income	5	84.78	84.78xd	91.30	-1.29	6.79
Japan & General	5	106.8	106.8xd	114.9	-3.3	0.00
Preference Share	5	17.36	17.36	18.67	-0.10	14.21
UK Capital	5	76.09	76.09xd	[illegible]	[illegible]	4.13
World Income	5	54.59	54.59	58.54	[illegible]	[illegible]
Worldwide Capital	5	145.9	145.9	156.8	-2.0	3.49
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	99.91	100.75	107.76	[illegible]	3.73
Global Growth Inc	6	96.00	96.80	103.53	[illegible]	3.73
Global Balanced Acc	6	97.34	97.83	104.63	-0.36	[illegible]
Global Balanced Inc	6	92.54	93.01	99.40	-0.52	[illegible]
Value Tst Acc	6½	72.19	73.32	78.41	-0.61	4.25
Value Tst Inc	6½	70.39	71.45	76.46	-0.59	4.25
Intl Pen & Ch'ties Inc	2	98.50	97.88	104.86		3.57
Intl Pen & Ch'ties Acc	2	96.57	97.93	102.81		3.57
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	47.17	47.45	50.47		-
Overseas	5	41.82	42.04	44.77		-
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq, London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	43.87	43.87	46.79	+0.04	0.24
(Accum Units)	5	45.14	45.14	48.14	+0.04	0.24
Cash	0	50.21	50.21	50.21	+0.01	14.81
Accum Units	0	50.21	50.21	50.21	+0.01	14.81
European Opps	5	63.06	63.06	67.25	-1.13	0.00
(Accum Units)	5	63.41	63.41	67.62	-1.14	0.00
Far Eastern Opps	5	104.35	104.35	111.29	-2.25	0.00
(Accum Units)	5	105.01	105.01	112.01	[illegible]	0.00
Golden Opps	5	31.65	31.65	33.75	-0.32	0.00
(Accum Units)	5	32.55	32.55	34.71	[illegible]	0.00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt Sept 19	39.6	41.1	-2.40	2.64
Euro Exmt Sept 19	48.7	51.1	-2.20	2.74
Fixed Int Ex Sept 19	42.4	43.5		11.62
Japan Exmt Sept 19	39.2	40.2	-2.40	0.81
Managed Ex Sept 6	40.0	41.5		5.25
SE Asia Exmt Sept 19	57.1	59.9xd	-5.20	3.50
Sm Cos Exmt Sept 19	31.3	32.0	-0.90	5.39
UK Eqty Ex Sept 19	36.0	37.8xd	-1.20	3.62
Phillips & Drew Fund Management Ltd				
Small Co's Sep 5	641.8	[illegible]		5.25
Do Accum	706.9	755.2	-	5.25
Int Exmt Sept 13	159.1	161.8		3.4
UK Index Sept 5	1015	1035		5.1
Do Accum	1059	1080		5.1
Convertible Sept 27	81.33	83.79		9.0
Worldwide UK Index Sept 17	660.7	669.8	-25.2	2.34
Do Accum	660.9	669.8	-25.3	2.34
Japan Index Sept 17	534.2	541.9	-20.0	0.6
Do Accum	535.2	542.0	-20.1	0.6
USA Index Sept 17	753.1	758.0	-28.9	3.7
Do Accum	763.7	768.6	-29.3	3.7
European UK Index Sept 17	820.0	832.8	-35.1	2.9
Do Accum	840.0	853.0	-35.6	2.9
Pacific ex Jap Index Sept 17	808.1	822.0	-24.2	5.3
Do Accum	823.4	847.6	-24.7	5.3
Managed Exempt Sept 13	92.52	94.11	...	[illegible]
NM Rothschild Asset Management Ltd				
NC Managed	52.9	56.3xd	-0.1	4.22
NC Property	179.5	196.5		-
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	130.5	131.6		2.97
Stewart Ivory & Co Ltd				
Saints PPP Aug 13	245.8	258.1		-
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Sept 17	89.02	94.25		4.39
(Accum Units)	90.78	96.12		4.39

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Ass. Co Ltd

Providence Capital Life Ass. Co Ltd – Contd.

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Skandia Life Assurance Co Ltd (z)

Sun Alliance Group

Sun Alliance Group–Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

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Arab Bank Fund Managers (Guernsey) Ltd

Baring Int Fund Managers Guernsey Ltd

Dartrust Management (Guernsey) Ltd

Sarasin (Isle of Man) Ltd

Target International (Isle of Man) Ltd

Tyndall International (Isle of Man) Ltd

Unibank Scandinavian Fund Ltd

JERSEY (SIB RECOGNISED)

MIM Britannia International Limited

Commercial Union Luxembourg SA (u)

S.G. Warburg Asset Mngmt Lux SA - Contd.

Wardley Investment Services (Lux) SA (u)

Target International Fountain Fund

Target International Ltd

Templeton Worldwide Investments

GT Management Plc - Contd.

GW Investment Mngmt Ltd

Gaia Currency Funds

GAM Fund Management Ltd (u)

North Star Fund Managers - Contd.

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Wider deficit weakens dollar

THE DOLLAR came close to reaching its all-time low against the D-Mark yesterday after a sharp deterioration in the US trade deficit. Meanwhile, sterling benefited from stronger oil prices and high UK interest rates.

The July trade deficit widened unexpectedly to $9.33bn compared with $5.34bn in June and an average forecast by economists of $7.3bn. The market's reaction was to mark down the dollar amid heavy selling. At one stage the dollar declined to DM1.5435, taking it close to the all-time low of DM1.5390 struck almost four weeks ago. It eventually finished at DM1.5480 against DM1.5570 at the previous close.

The trade deficit had been steadily improving this year and this had led to hopes in the US Administration that exports could provide the basis for further economic growth. But in July exports fell 6.4 per cent while imports rose 4.6.

Analysts said the figures were particularly worrying since they did not reflect the rise in oil prices since Iraq invaded Kuwait. Mr Robin Aspinall, director of currency economics at Hoare Govett, said the rise in oil prices could add a further $3bn to the monthly trade deficit.

The August US consumer price statistics were also released, but had less immediate affect on the dollar. Once energy and food were stripped out consumer prices rose by 0.5 per cent, against 0.6 in July and forecasts of a 0.4 increase. But Mr John O'Sullivan, economist at Barclays Bank, said inflationary pressures had not abated and would worsen once the effect of higher oil prices were felt. "The combined picture is one of stagflation. The fundamentals are now looking more bearish for the dollar."

The currency markets will be waiting for a response from the Federal Reserve, and later today Mr Alan Greenspan, chairman of the Federal Reserve, is due to testify to the Joint Economic Committee of Congress. Mr Greenspan has said any easing in US monetary policy must await a budget agreement. Today the Fed also releases its Beige Book, the regional survey of economic activity, which will be closely examined for further hints on monetary policy.

The dollar closed at Y137.45 from Y136.95 as Japanese corporate demand ahead of the end of the financial year dried up, producing weakness in the yen. Elsewhere the dollar lost ground, closing at SFr1.2820 from SFr1.2860; and at FFr5.1850 from FFr5.2170. The Bank of England's dollar index closed 0.1 lower at 62.3.

Sterling benefited from the rise in oil prices and high UK interest rates. Although the UK is not a large oil exporter, the pound's high yield and the weakness of the dollar continue to attract investors. Sterling closed at $1.9190 from $1.9080; at DM2.9700 from DM2.9625; at SFr2.4600 from SFr2.4475; at FFr9.9500 from FFr9.9275; and at Y263.75 from Y260.50. Sterling's index rose 0.5 to 94.9. In New York the pound eased to end at $1.9130.

£ IN NEW YORK

Sep.18	Close	Previous Close
£ Spot	1.9125-1.9135	1.9135-1.9145
1 month	1.12-1.10pm	1.05-1.03pm
3 months	3.07-3.05pm	3.06-3.03pm
12 months	10.3-10.2pm	10.2-10.1pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

	£	$
Luxembourg	61.10 - 61.20	31.80 - 31.90
Malaysia	5.1715 - 5.1845	2.6955 - 2.6975
Mexico	5547.25 - 5650.65	2891.00 - 2892.00
N.Zealand	3.0620 - 3.0670	1.5965 - 1.5985
Saudi Ar	7.1500 - 7.1710	3.7495 - 3.7505
Singapore	3.3835 - 3.3915	1.7630 - 1.7660
S.Af (Cm)	4.9000 - 4.9125	2.5535 - 2.5560
S.Af (Fn)	7.3570 - 7.5025	3.8310 - 3.9065
Taiwan	52.30 - 52.40	27.25 - 27.30
U.A.E.	6.9985 - 7.0240	3.6700 - 3.6735

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.4168	+0.59	+0.16	±1.5508
Danish Krone	7.79845	7.86479	+0.85	+0.42	±1.6453
German D-Mark	2.04446	2.06170	+0.84	+0.41	±1.1762
French Franc	6.85684	6.90575	+0.71	+0.28	±1.3618
Dutch Guilder	2.30358	2.32373	+0.87	+0.44	±1.5272
Irish Punt	0.763159	0.768166	+0.66	+0.23	±1.6689
Italian Lira	1529.70	1544.29	+0.95	+0.52	±1.5162
Spanish Peseta	132.889	130.005	-2.17	-2.60	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9055 - 1.9245	1.9185 - 1.9195	1.12-1.10cpm	6.94	3.09-3.04pm	6.39
Canada	2.2070 - 2.2245	2.2200 - 2.2210	0.43-0.33cpm	2.05	1.22-1.06pm	2.05
Netherlands	3.34¼ - 3.35¼	3.34¼ - 3.35¼	2-1⅞cpm	6.95	5¼-5pm	6.12
Belgium	60.90 - 61.30	61.10 - 61.20	34-27cpm	5.99	92-78pm	5.56
Denmark	11.30¼ - 11.34¼	11.36 - 11.37	4⅛-3⅞orepm	4.49	12-10½pm	3.96
Ireland	1.1000 - 1.1100	1.1035 - 1.1045	0.44-0.39ppm	4.51	1.08-0.98pm	3.73
W. Germany	2.96¼ - 2.97¼	2.96¼ - 2.97¼	1¼-1⅛pfpm	6.82	4¾-4½pm	6.14
Portugal	262.35 - 264.30	262.50 - 263.50	7-24cdis	-0.71	11-105dis	-0.88
Spain	186.35 - 187.95	186.55 - 186.85	6-1cpm	0.22	7-4pm	0.12
Italy	2222¼ - 2229½	2225½ - 2226½	12-11lirepm	6.20	26-23pm	4.40
Norway	11.48 - 11.53¼	11.50 - 11.51	5-4orepm	4.69	12-11pm	4.00
France	9.93 - 9.96¼	9.94½ - 9.95½	4¼-4cpm	4.97	10¾-10½pm	4.20
Sweden	10.89¼ - 10.95¼	10.92 - 10.93	3½-3orepm	2.47	5-4pm	1.66
Japan	262¼ - 264¼	263½ - 264½	1½-1⅜ypm	6.56	4¼-4pm	6.16
Austria	20.85 - 20.93	20.86 - 20.89	11¾-10⅞gropm	6.54	30¾-28¼pm	5.70
Switzerland	2.45½ - 2.46½	2.45½ - 2.46½	1⅝-1½cpm	7.62	4¼-4pm	6.61
ECU	1.4250 - 1.4355	1.4345 - 1.4355	0.67-0.64cpm	5.48	1.66-1.61pm	4.56

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.85-5.78cpm. 12 Month 10.24-10.08cp

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Sep.18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	1.005	1.929	2.985	265.1	10.	2.477	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.407	0.780	1.207	107.2	4.045	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.299	0.573	0.887	78.79	2.972	0.735	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.449	0.862	1.334	118.5	4.470	1.105	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.450	0.864	1.337	118.8	4.480	1.108	1.507	1002	1	27.53
B Fr.	1.635	3.133	4.857	431.4	16.27	4.023	5.475	3640	3.632	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptns.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk of Kuwait	15		

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MONEY MARKETS

London rates soften

LONDON money rates were slightly softer yesterday after the Bank of England supplied the market with most of its credit requirements.

Three-month inter-bank money closed at 14⅝-14½ per cent, 1/16 point lower, while one-month was also 1/16 down at 14⅝-14½. On the futures market December short sterling was 3 lower at 85.65.

Money dealers believed the easing in speculation about an early reduction in UK rates had allowed the Bank of England to adopt a more generous attitude towards the market's liquidity needs. But they added that if talk of a cut in interest rates revived, the Bank would again move to tighten credit.

In its daily money market operations the Bank of England bought a total of £677m of bills compared with its forecast shortage of £700m. Last week the Bank regularly left the market over £100m short each day. During the morning the Bank bought £357m of bank bills in band 2 at 14¾ per cent; in the afternoon a further £300m were purchased, in equal amounts in band 1 at 14¾ per cent and in band 2 at 14¾. Finally, late assistance of around £20m was provided.

Among the main factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £952m. Exchequer transactions absorbed £270m and bank balances below target a further £35m. However, this was partly offset by a £90m fall in the note circulation. In Frankfurt call money rates were unchanged at 7.95-8.05 per cent as the market remained quiet awaiting the results of the Bundesbank's new two-tranche tender for securities repurchase pacts. Two existing pacts totalling DM21.4bn expire today and German money dealers believe that the Bundesbank will replace them with DM22bn of fresh funds. In the new tender, the Bundesbank offered banks 28-day and 56-day liquidity at variable bid rates. The two expiring pacts comprised of a DM9.5bn facility set at 7.95-8.20 per cent and DM11.9bn at 7.95-8.10.

In New York the Federal Reserve refrained from open market operations despite some speculation that it would add liquidity to the credit system. At the usual time of Fed operations, Federal funds were trading unchanged at 7⅞ per cent.

UK clearing bank base lending rate 15 per cent from October 5, 1989

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 18) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	10	One month	7.26	Three year	8.28
Broker loan rate	9¾	Two month	7.52	Four year	8.40
Fed funds	7⅞	Three month	7.63	Five year	8.51
Fed funds at intervention	-	Six month	7.66	Seven year	8.78
		One year	7.75	10-year	8.92
		Two year	8.03	30-year	9.07

Sep.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.95-8.05	8.10-8.25	8.20-8.35	8.25-8.40	8.55-8.70	8.00
Paris	9⅞-10	9⅞-10	10⅛-10¼	10⅛-10¼	10⅜-10½	9.50
Zurich	5¾-6¼	7⅞-7¾	-	7⅞-8¼	-	-
Amsterdam	7.95-8.10	8.22-8.30	-	8.40-8.45	-	-
Tokyo	7⅞-7⅞	8⅛-8⅛	-	8⅞-8⅞	-	-
Milan	9¾-10½	9¾-9⅞	-	10⅜-10¾	-	-
Brussels	9.40	8⅞-9⅛	-	9.0⅞	-	-
Dublin	10⅛-10⅜	10⅜-10⅝	11-11⅛	11⅛-11¼	11⅜-11⅝	-

LONDON MONEY RATES

Sep 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	15	15	14⅞	14¾	14½
Interbank Bid	13½	14¼	14¾	14⅝	14½	14¼
Sterling CDs	-	-	14⅞	14⅝	14⅝	14⅜
Local Authority Deps.	14⅛	14⅞	14⅞	14⅝	14¾	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14⅞	14⅞	14⅛	-	-
Company Deposits	-	-	15	15	14⅞	14⅝
Finance House Deposits	-	-	14⅞	14⅞	14⅞	14¾
Treasury Bills (Buy)	-	-	14⅞	14⅝	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	14⅞	14⅞	-
Dollar CDs	-	-	8.18	8.12	8.12	8.20
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9⅛	9⅜
SDR Linked Dep. Bid	-	-	8⅞	9⅛	9⅛	9⅛
ECU Linked Dep Offer	-	-	9⅞	9⅞	10⅛	10½
ECU Linked Dep. Bid	-	-	9⅞	9⅞	10⅛	10⅜

Treasury Bills (sell): one-month 14⅝ per cent; three months 14⅝ per cent, six months 13¾ per cent; Bank Bills (sell): one-month 14⅝ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.2938 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1990. Agreed rates for period Sept 26,1990 to Oct 25, 1990, Scheme I: 15.80 p.c. Schemes II & III: 16.27 p.c. Reference rate for period Aug 1,1990 to Aug 31, 1990, Scheme IV&V: 15.021 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from September 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,345 Set by CINEPHILE

ACROSS

1 Tool with retractable claws (4-3)
5 Change SBA to SPA on rest day (7)
9 Number is unknown, making a row (5)
10 Mother, confounding pubs with IQ, is likely to fizzle out (4,5)
11 The sailors in Old English ship have distinction (9)
12, 13 Old car with range beyond the institution (5-5)
15 Expression of annoyance is nothing without it (4,2,3)
18 Scored – yes, possibly – with a squint (5-4)
19, 21 It's broad in the beam, finding lots of great quantities during escape (10)
23 Zebras may help one to communicate successfully (3,6)
25 Even a cow with a twist will support a sailor's life (5,4)
26, 28 Half way home, named before I had a meal (12)
27 Concrete does for high explosive darts (3,4)
28 See 26

DOWN

1 What the racing expert does to be like everybody else? (7)
2 Thus far, levy includes brief hour – awful rot (9)
3 I lose money, which is standard when solvers enter (5)
4 Dawned: yes, in turn, it did (9)
5 Southern prophet in Greek island (5)
6 Bachelor's deliverance from anxiety is a work of art (3-6)
7 Last month, after all these years – over 18 (5)
8 End of fairy finger, to boot (7)
14 Sound of English girl and Russian girl in Roman province (9)
16 It's rammed, possibly: stick to your horse (3-6)
17 Primate, about to back frequently at first, provides cuppas (1,3,2,3)
18 Summon operator to FT, ignoring his feelings? (7)
20 Merit of French tennis-player's initial stroke (7)
22, 23, 24 Right-angled card discloses descendant (5-10)

Solution to Puzzle No.7,344

GIBBON THICKEST / NODULAR SECRETE / RANK MALEFACTOR / TOUCAN DIGRESS / SHELTIE ACCESS / BRIGANTINE EDGE / EVEREST PRESENT / SALUTARY POPLAR

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices September 18

MONTREAL
Closing prices September 18

INDICES

NEW YORK

DOW JONES	Sept. 18	Sept. 17	Sept. 14	Sept. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2571.29	2567.33	2564.11	2582.67	2999.75 (16/7)	2483.42 (23/8)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.11	89.35	89.54	89.65	93.04 (3/1)	88.48 (2/5)	—	—
Transport	901.44	887.94	889.42	898.11	1212.77 (6/6)	861.31 (23/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	200.52	199.89	199.28	201.46	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2587.87 (2585.89) Low 2524.26 (2537.13)

STANDARD AND POOR'S

	Sept. 18	Sept. 17	Sept. 14	Sept. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	318.60	317.77	316.83	318.65	368.95 (16/7)	307.06 (23/8)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	376.71	375.83	374.60	376.88	437.37 (16/7)	362.23 (23/8)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.77	22.90	22.95	23.25	31.87 (3/1)	22.77 (18/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	174.88	174.62	174.15	175.16	201.13 (16/7)	168.88 (23/8)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	319.69	321.71	321.45	322.01	382.45 (5/1)	315.85 (23/8)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	372.21	374.11	374.41	376.18	469.60 (16/7)	360.22 (23/8)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept 14	Sept 7	Aug 24	year ago (approx.)
Dow Industrial Div. Yield	3.95	3.86	4.29	3.76
	Sept 12	Sept 6	Aug 29	year ago (approx.)
S & P Industrial div. yield	3.28	3.24	3.24	2.81
S & P Indl. P/E ratio	15.44	15.47	15.47	14.42

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Fannie Mae	2,297,500	27¼	- 1¼
Philip Morris	2,283,100	45⅞	+ ¼
Prime Motor	2,281,700	[illegible]	- [illegible]
Gen Electric	2,204,000	58¼	- ⅞
Pepsico	1,901,600	23⅞	- ⅞
IBM	1,674,200	107¼	+ 2¼
Wal-Mart Stores	1,671,600	27	+ ⅞
Chase Man	1,580,100	15	- ⅞
Primerica	1,451,300	23¼	- 2¼
Bristol MY	1,425,400	59⅞	- ¼

TRADING ACTIVITY

† Volume Millions	Sept. 18	Sept. 17	Sept. 14
New York	141,130	110,600	135,390
Amex	8,480	9,250	8,727
NASDAQ	(u)	94,017	103,494
Issues Traded	1,960	1,941	1,936
Rises	619	673	451
Falls	830	765	1,005
Unchanged	511	503	479
New Highs	20	13	6
New Lows	188	152	171

CANADA

TORONTO	Sept 18	Sept 17	Sept 14	Sept 13	1990 HIGH	1990 LOW
Metals & Minerals	3062.06	3034.67	3010.10	3050.90	3453.05 (4/1)	2850.80 (23/8)
Composite	3266.69	3262.00	3253.68	3264.39	4009.47 (3/1)	3253.68 (14/9)
MONTREAL Portfolio	1716.52	1708.08	1698.67	1706.51	2060.90 (3/1)	1698.67 (14/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 18 September 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Elctrc	11.9m	769	-21	Marubeni	6.5m	644	-21
Osaka Gas	8.7m	481	-16	Iwatani Int	6.4m	1,240	-80
Kurabo Inds	6.9m	1,690	-10	M'bishi Hvy Ind	6.3m	744	-17
Kobe Steel	6.9m	516	-13	Dainippon Ink	6.2m	566	-22
Hitachi	6.6m	1,200	-30	Nippon Steel	6.1m	456	-16

4pm prices September 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	14¼	AAR	.48	3.3	9	516	14¾	14¼	14⅝	+ ⅛
9¾	7⅞	ACM n	1.01	13.		223	8⅛	7⅞	7⅞	– ⅛
11⅞	9⅜	ACMIn	1.26	13.		1463	9⅝	9⅜	9½	– ⅛
9¾	6⅞	ACM M	n1.01	15.		322	7	6⅞	6⅞	– ⅛
12⅛	10	ACMMM	1.50	13.		146	11⅝	11⅜	11⅝	+ ⅛
11½	9¼	ACM Sc	1.26	13.		1634	9½	9⅜	9⅜	
9⅞	7¾	ACMSp	1.01	13.		623	8	7⅞	7⅞	– ⅛
24⅞	14⅝	AL Lab	.16	.8	17	40	19¾	19½	19¾	
5⅜	1¼	AM Intl				102	1½	1⅜	1½	+ ⅛
23⅞	7	AM In pf	2	24.		148	8⅜	8¼	8⅜	– ⅛
107¼	42⅝	AMR			10	4831	42⅞	d41⅝	42½	– ⅞
28½	25	ANR pf	2.67	10.		3	25⅝	25⅝	25⅝	
4⅛	2½	ARX			10	327	3⅜	2⅞	3⅛	+ ⅛
72¾	42	ASA	3e	6.2		749	49⅛	48½	48½	– ⅞
45⅝	30⅝	AbtLab	s.84	2.0	20	8489	41¾	40⅛	41⅜	+ 1¼
14⅞	11¼	Abitibi	g .50			109	13⅛	13⅛	13⅛	
11⅞	5⅞	AcmeC	.40	6.5	7	61	6⅛	5⅞	6⅛	
9⅝	6½	AcmeE	.32	5.0	8	41	6⅜	d 6¼	6⅜	– ⅛
32⅜	18⅞	Acuson	s		26	257	29½	28⅞	29⅜	+ ⅛
16⅞	14⅛	AdaEx	2.06e	14.		68	15⅛	15⅛	15⅛	
15⅜	10	Adobe				31	12⅞	12¾	12⅞	+ ⅛
20¼	17⅞	Adob pf	1.84	10.		6	18	17⅞	18	+ ⅛
21⅞	20⅛	Adob pf	2.40	12.		61	20⅛	20⅛	20⅛	– ⅛
11⅞	4⅞	AMD			23	2826	5⅝	5½	5⅝	– ⅛
9⅛	2⅞	Advest	.16	5.6	36	561	2⅞	2⅝	2⅞	+ ⅛
62½	41	AetnLf	2.76	6.6	7	2513	42⅜	41⅛	41⅞	– ⅜
13⅜	9¼	AflPb	.24	2.5		171	9⅝	9⅜	9½	– ⅛
25	16⅝	Ahmans	.88	5.5	7	1966	16	15⅞	16	
3½	1⅞	Aileen			6	31	2⅜	2½	2½	– ⅛
61	43	AirPrd	1.44	3.2	11	629	44⅞	44⅛	44⅞	– ⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅛	9⅛	ReichTg	1.52	16	5	20	9⅝	9⅝	9⅝	
7⅞	4⅛	RelGrp	.32	6.1		15	5¼	5¼	5¼	
30⅛	19½	Repsol n	.65e	3.7		242	23¼	23	23¼	− ⅛
5	3⅛	RepGyp	.19t	5.6	64	279	3½	3⅜	3⅜	
52⅜	40⅛	RepNY	1.32	3.2	128	97	41½	41	41	− ⅛
8⅜	1¼	Rsrene				136	1⅝	1⅝	1⅝	− ⅛
27⅛	14⅜	RevRay	.80	5.6	6	47	14⅝	d14⅛	14⅜	− ⅛
69⅛	48½	ReyMil	1.80	2.6	9	3632	69⅜	67⅞	68⅞	+ ⅜
67⅛	58¼	RP Ror n				1675	63⅜	63	63	− ⅝
19	9¼	RhP pfA				23	9⅞	9⅜	9⅜	+ ⅛
3½	1⅛	RhnP wt				45	1⅜	1⅜	1⅜	
22	10½	RhnPl n	1.60e	15.		13	10½	d10⅜	10⅜	
41⅛	29½	RiteAid	.90	2.8	13	708	32¼	32⅛	32⅛	− ⅛
11-32	3-64	RvrOak				47	1-16	7-128	1-16	
18½	10¼	RobtM			10	1	10¼	10¼	10¼	
14½	7½	Robtcn				53	8⅛	8	8	
22⅛	18⅞	RochG	1.56	8.6	9	144	18⅛	18	18⅛	
45⅛	25½	RochTl	1.40	5.4	14	25	26⅛	26½	26⅞	+ ⅛
22⅛	16¼	RckCtr	1.88	11	15	373	17½	17⅜	17⅜	+ ⅛
28¾	19⅝	Rockwl	.86	3.4	10	2071	25½	24⅞	25⅛	+ ⅛
36⅞	28	RohHaas	1.24	4.4	11	519	28⅝	28⅛	28⅛	− ⅛
29⅝	16	Rohr				323	16⅝	16⅛	16¼	− ½
15¼	9⅝	RollinC	.09		9	24	535	10½	10¼	10½ + ⅜
20⅝	15⅞	Rollins	.56	3.2	16	50	17⅝	17½	17⅝	+ ⅛
9¼	6⅛	RolLeas	.20	3.1	7	22	6⅛	6⅛	6⅛	
15⅞	7½	Rowan				1733	15½	15⅛	15¼	− ⅛
25¼	21⅛	RBScl	pr2.62	13.		146	22⅛	d21⅝	21⅝	− ½
87	63⅝	RoylD	4.25e	5.2	13	x4048	82⅛	81⅛	82⅜	− ⅜
9⅞	8⅛	Royce	.52e	6.5		149	8¼	d 8	8	− ⅛
45	31	Rubmd	.52	1.4	22	576	36½	35⅛	36½	+ 1
18⅛	13¼	RussBr	.40	2.6	14	261	15½	15¼	15½	+ ⅛
13⅞	6¼	RussTg	.20	3.2		128	6½	d 6⅛	6¼	− ⅛
31	20⅝	Russell	.32	1.4	14	654	23⅜	22⅞	23⅛	− ⅛
28½	13⅞	Ryder	.60	4.0	45	376	14⅞	14⅜	14⅞	
25½	15⅛	Rykoff	.60	3.6	16	873	17	16⅛	16⅞	− ⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	17	Wynns	.80	3.5	11	15	17	d16⅝	17	
		− X-Y-Z −								
55⅝	35½	Xerox	3	7.7	7	1650	39⅛	d38⅛	38⅞	+ ⅛
32⅛	16½	XTRA	.72	4.0		34	18	17⅝	18	
25	16⅛	XTRA pf	1.94	12.		30	17	16⅛	16⅛	
4	1¼	Zapata				418	1½	1⅜	1⅜	
10⅞	5	Zemex				22	5⅜	5⅛	5⅜	
17⅛	5⅛	ZenithE				484	5⅝	5½	5⅝	+ ⅛
19½	13⅛	Zenith	.88	6.5	6	3	13½	13½	13½	
8⅞	4½	Zonix	.93	16.		190	5⅝	5¼	5¼	− ⅛
16½	10¼	Zero	.40	3.5	11	256	11	10⅞	11	
51⅛	34⅝	Zurnin	.76	1.9	17	810	40⅞	39½	40⅞	+ ⅞
12⅝	10⅞	Zweig	1.21e	11.		163	10⅞	10⅝	10⅞	
10	8½	ZweigTl	.96	11.		2184	8⅞	8⅝	8¾	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices September 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PlyGem	.12	10	22	5⅞	d 5⅛	5⅛	− ⅛
Presd B		199	41	7½	7½	7½	
Presd A	.10		709	7⅛	7¼	7⅜	+ ⅛
PrcCom			254	2	1⅞	1⅞	
Prism		6	15	2⅛	2⅛	2⅛	− ⅛
ProMed	.46	10	39	4⅝	4⅝	4⅝	+ ⅛
− R-R −							
RGW			47	5⅛	d 5	5	− ⅛
ReCap		10	30	12⅝	12⅝	12⅝	
Riedel			21	9	8⅝	8⅝	− ⅛
Rudick	.40e	10	76	23⅛	22⅞	23	− ⅛
− S-S −							
SJW	1.86	16	2	25⅞	25⅞	25⅞	
Scheib	.36	167	27	11	10⅞	11	
SolJCo n			16	16⅝	16½	16½	
Spelling		20	169	4⅞	4½	4½	− ½
StarlEl	.04e		27	1⅛	1⅛	1⅛	− ⅛
Summa			602	2⅛	1⅞	2	+ ⅛
− T-T −							
TIE			61	½	7-16	7-16	− 1-16
TabPrd	.20	18	2	12⅞	12⅞	12⅞	
TandyB		10	14	14⅝	14⅛	14⅛	− ⅛
TelDta	.28	40	256	25¼	24½	24½	− ¾
Telesph		12	642	3⅛	2⅞	3⅛	
Thermd		56	43	9	9	9	
Thrlrs		19	34	14⅛	13⅞	13⅞	− ⅛
TotlPet	.60	40	486	25½	25	25⅜	+ ½
TwCty		7	185	3⅝	3½	3⅝	− ⅛
TubMex			1050	5⅞	5⅝	5⅞	+ ⅛
− U-U −							
Unicorp			28	9-16	½	½	− ⅛
UnValy			15	½	½	½	
UFoodA	.23e	6	132	2½	2⅛	2½	− ⅛
UFoodB	.20e	6	31	2½	2⅛	2½	+ ⅛
US Cell			28	15½	15	15	− ⅛

NASDAQ NATIONAL MARKET

3pm prices September 18

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WlvExp			522	6½	6	6⅛	− ⅛
Wolv wt			167	4⅝	4	4⅛	− ⅛
Worthg	.60	15	412	20⅛	d19⅞	19⅞	− ⅜
Wyman	.80		208	9⅛	9	9	− ⅛
− X-Y-Z −							
XL Dta		4	201	7⅛	6⅞	6⅞	− ⅛
XOMA			2127	17¼	16½	17	+ ½
Xicor			335	1⅞	1⅝	1⅝	− ⅛
YanEnS	1.52e	16	108	19¾	18½	19½	+ ⅛
YelowF	.82	44	144	22⅛	d21⅞	22	− ⅛
YorkRs		12	722	9⅛	9⅛	9⅝	
ZionBc	1.44	7	22	26	26	25½	+ ½

AMERICA

Dow resists disappointing trade and inflation data

Wall Street

A LATE recovery on Wall Street yesterday saw equities *end modestly higher on balance*, after trading at depressed levels through most of the day as concern about inflation mingled with worries about the Middle East, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed up 3.96 at *2,571.29 after a moderate New* York SE volume of 141.1m shares. On Monday the Dow had rebounded from an initial fall of 20 points to end a net 3.2 firmer after thin volume.

Yesterday morning's stock market retreat was broadly based, with the Dow nearly 34 *points lower at mid-day and* the Standard & Poor's 500 down 3.43, before closing up 0.82 at 318.58. However, the overall tone of the market was still negative at the close, with declining issues leading advances by 830 to 619.

Equities moved in tandem with bonds yesterday, which also posted losses through most of the day before moving somewhat higher in the afternoon. The Treasury's benchmark 30-year issue was up 1/32 at 96 11/32 in late trading, yielding 9.05 per cent, after falling as much as 1/32 earlier in the day.

The morning's decline in both markets was tied to July's big trade deficit, which was $9.33bn compared with expectations of about $7bn, and to August's *consumer price data.* While the 0.8 per cent rise in the consumer price index was in line with expectations, the 0.5 per cent increase excluding food and energy - the so-called core inflation rate - was greater than expected and added to fears that inflation in the US is widespread, and not just confined to the energy sector.

Continued strength in crude oil prices, which dropped *sharply at the start of trading* but bounced back later in the morning, also depressed the stock market. In late trading, November crude oil futures were quoted 51 cents higher at $32.67 a barrel. October crude oil futures moved 28 cents lower at mid-day to $33.35 a barrel as they lost favour ahead of the expiration of the contract tomorrow.

Chase Manhattan fell $⅛ to $15 after a number of analysts said they expected the bank to post a third-quarter loss thanks to a sharply higher loan-loss provision and restructuring charges.

UAL, the parent of United Airlines, jumped $7⅛ to $105 on news that the airline subsidiary plans to meet with banks this week to discuss a buy-out offer of more than $175-a-share, or $38.2bn to $39.2bn.

A number of other airline issues moved lower yesterday, including Delta Air Lines, down $¼ at $55⅛, and AMR, parent of American Airlines, *which lost $⅝ to $42½.*

Federal National Mortgage Association fell $1⅝ to $27⅝ in heavy trading after the company said its chairman and chief executive Mr David Maxwell would retire at the end of January. Mr James Johnson, vice chairman, will succeed Mr Maxwell.

Occidental Petroleum shed $¼ to $22⅞ amid concern that the company may have to sell *some major assets or cut back* on capital spending if it is to maintain its annual dividend of $2.50 a share.

Primerica dropped $2⅝ to $23⅛ on growing concern about the potential for increasing defaults on credit card debt.

Among blue chip issues, IBM added $2⅛ at $107¼, Procter & Gamble rose $⅝ to $76⅝, Johnson & Johnson improved $⅝ to $64¼ and PepsiCo eased $⅝ to $23⅞.

Canada

THE TORONTO market again finished with a rather mixed appearance after light trading, as gains in the management and transportation stock groups were offset by losses in the real estate and gold sectors.

The composite index ended 4.7 up at 3,266.7, but declining issues led advances by 342 to 213 after a volume of 19.9m shares.

Equity offers lighten the gloom in Toronto

Selected shares, such as Telus Corp, have stirred up enthusiasm, writes **Bernard Simon**

ON A NUMBER *of occasions lately*, Canadian investors have taken to selected equities with an *enthusiasm quite out of character* with today's sombre stock markets.

The Alberta Government said last week that its sale of 60 per cent of Telus Corp, the telephone company, drew C$1.4bn (US$1.2bn) in subscriptions, compared with the C$951m that it aimed to raise through the public share offer.

Also last week, a group of Toronto securities dealers took *less than 20 hours to distribute* 37.5m units (consisting of shares and warrants) of TransCanada PipeLines (TCPL), the country's biggest natural gas pipeline operator. The units were put on the market by BCE Inc, the Montreal-based conglomerate which is selling its 48.8 per cent stake in TCPL. The units will eventually net BCE about C$1.3bn.

These sales have brought some welcome, if fleeting, relief to the gloom which has settled over the Toronto Stock *Exchange and the Canadian* securities industry in general. The TSE 300 index, which closed at 3,262.00 on Monday, *has tumbled by nearly a fifth* since reaching its 1990 high of 4,009.47 in January.

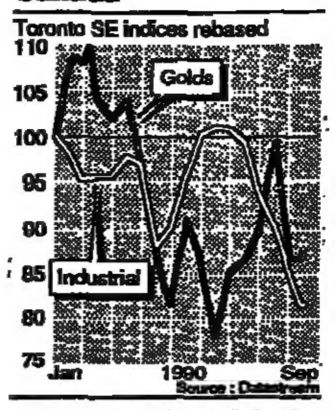
In the past month the index has lost almost 10 per cent, but this compares with a drop of more than 14 per cent in the US Dow Jones Industrial Average. While the Toronto Golds index has fallen more than 22 per cent from its year's high, it has lost only 3 per cent since the start of August, standing at *6,305.8 on Monday.*

Volume is also down. Some 17 per cent fewer shares were traded last month on the TSE than in August 1989.

Canadian securities companies reported a combined loss of C$128m for the first half of this year. One financial services *analyst suspects that the* real losses may be even greater, given the ability of the big banks to mask some of their securities subsidiaries' costs. In any case, the financial performance of most companies has deteriorated further since mid-year.

Canada

Toronto SE indices rebased



Compounding the bad news on the economic front (Canadian business appears to be sliding rapidly into a fully *fledged recession*), investors were disturbed two weeks ago by the surprise victory of the mildly socialist New Democratic Party in provincial elections in Ontario, the industrial heartland which contributes about 40 per cent of Canada's total gross domestic product. The party's platform includes a minimum corporate tax as well as more widespread government intervention in many facets of business.

In spite of this environment, the TCPL and Telus shares have generated much enthusiasm. One reason is that both companies are government-regulated utilities, whose returns are at least partially *insulated* from market forces.

Mr David Wilson, deputy chairman of Scotia McLeod, *which lead-managed* the TCPL sale, notes that "in this uncertain world, these are the sorts of equities that people will buy."

The terms of the Telus issue, the biggest stock offering ever in Canada, were a big attraction. Albertan residents were offered one-year, interest-free loans to cover up to half the cost of their share purchases. Furthermore, the issue price set by the Alberta Government of C$12 a share was viewed by analysts as a bargain.

None the less, companies in several other sectors have managed to find gaps in the clouds hanging over the stock market. American Barrick, one of the investors' favourite North American gold producers, took advantage of the run-up in the bullion price last month *to raise US$100m* through a common-share issue.

Likewise, the jump in oil prices has enabled some small *and medium western Canadian* exploration companies to tap investors for funds.

EVEN some industrial companies have managed to find an opening. Bombardier, the highly regarded Montreal transport equipment *maker*, raised C$150m in equity during the summer, much of it from investors outside Canada.

Bombardier is another example of a company seen to be relatively insulated from recession. As Mr Wilson puts it: "Equity can be raised in those *sectors where the outlook is* good or stable."

ASIA PACIFIC

Nikkei sinks on higher oil prices and rates

Tokyo

A SURGE in oil prices and the relentless rise of domestic interest rates extended Tokyo's decline in turbulent trading yesterday, *writes Michiyo Nakamoto in Tokyo.*

In morning trading, the record rise in crude oil futures in New York dropped the Nikkei average below its 23,737.63 low for the year with little resistance. The index then continued to slide, bottoming at 23,308.31 with a loss of over *1,000* points.

Thereafter, it staged a partial recovery on a brief rebound in bond prices and on rumours that Japan's leading securities houses were considering ways to shore up the market. The Nikkei finished 480.78 off at 23,884.82, against a day's *high of 24,331.03.*

Losers eclipsed gainers by 894 to 85, with 92 issues unchanged. Turnover rose from 300m to some 400m shares. The Topix index of all listed shares lost 43.86 to a year's low of 1,816.33; in London, the ISE/Nikkei 50 index eased only 3.96 to 1,369.13.

The fall in bond prices to new lows again yesterday, and reports that the long-term *prime lending rate* was expected to rise for the third consecutive month, raised fresh fears of an increase in the official discount rate. The futures market saw sharp falls, with the Nikkei index futures December contract losing the maximum allowable amount in intraday trading. Arbitrage selling also undermined the cash market.

Small-lot selling, particularly by financial institutions attempting to minimise huge stock and bond losses, hit the market and took the Nikkei average below the year's low, which had been considered a strong support level.

However, an afternoon newspaper report that the Ministry of Finance would not give the go-ahead to trust banks to *extend subordinated loans to* banks – which have international capital adequacy ratios to meet – triggered a brief recovery on the bond market, which supported equities.

Meanwhile, rumours that Japan's powerful Big Four securities houses had called an emergency meeting to discuss measures to support the market helped lift sentiment in later trading. The Big Four were rumoured to be considering asking the financial authorities to set up a joint fund to buy securities, with capital put up by several banks and securities houses, as a means of supporting the faltering market. *During* the Japanese stock market crash of the mid-1960s, the Government had taken the unusual move of setting up such a fund to support the market.

Analysts said that it was highly unlikely that the authorities would set up such a fund which was entirely against the spirit of ongoing deregulation of Japan's financial markets. However, an official at the finance ministry said that although nothing specific is being considered yet, the concept was not entirely out of the question.

In this environment big, interest-rate sensitive stocks fell sharply. Financials were major losers, with Industrial Bank of Japan dropping Y310 to Y2,600. It is now 61 per cent below the year's *high of Y6,740,* set on January 5.

NTT fell to a year's low of Y841,000 before closing at Y850,000, off Y3,000. Investors were discouraged by a report that the Ministry of Posts and Telecommunications had requested a cut in NTT rates.

In Osaka, the OSE average retreated 725.08 to 27,984.68. Volume expanded to 174.4m shares from Monday's 73.6m.

Roundup

TOKYO'S FALL upset most Pacific Rim markets, but Seoul rose on hopes of more funds.

SEOUL advanced sharply following a decision by the Government to allow investment trusts to create a total of Won2.6 trillion worth of new investment funds. The composite index closed at 589.42, up 23.15, after active volume of Won133bn (Won79.3bn).

NEW ZEALAND fell back as investors questioned whether a Government-engineered plan to cap wage rises and thereby lower domestic interest rates would succeed. *The Barclays* index receded 21.95 to 1,538.51. Turnover, boosted by a block sale of 1.75m Fletcher Challenge shares, rose to 6.2m shares valued at NZ$13.5m.

MANILA sank to a three-year low after a bomb exploded on the first day of talks on the *future of US military bases in* the Philippines. The composite index fell 10.18 to 615.39.

AUSTRALIA was worried by a further slide in AdSteam. The All Ordinaries index shed 5.2 to 1,472.3, but a rise in world oil and gold prices lifted some gold and energy stocks. The gold marker climbed 23.8 to 1,485.8. Turnover rose to A$141m from A$99m. AdSteam fell 33 cents to A$2.65 following statements by Sir Ronald Brierley, the New Zealand investor, that the company was breaking even rather than making record profits.

TAIWAN remained under pressure from high oil prices. The weighted index dropped 104.86 to 3,291.65. Volume was barely changed at NT$17.19bn.

HONG KONG's Hang Seng *index fell* through the important 3,000 support level to close 23.21 down at 2,996.66. Turnover improved to HK$599m from HK$457m. Jardine International Motor lost 7.5 cents to HK$3.40 after a 27 per cent drop in first-half profits.

SINGAPORE's Straits Times Industrial index slipped 17.72 to 1,179.01 and KUALA LUMPUR's composite index declined 5.45 to 528.43. BANGKOK slid for the sixth day in a row, the SET index losing 14.55 to 687.93, an 11-month low.

BOMBAY rebounded, with the BSE index jumping 86.37, or 7 per cent, to 1,314.56. Lower contango (carry forward) charges and reports that a state-owned mutual fund would invest about Rs6bn in the next two weeks boosted sentiment.

EUROPE

Rising crude and falling bonds drag bourses lower

RISING CRUDE oil prices and falling bond markets kept the mood bleak yesterday, *writes Our Markets Staff.*

FRANKFURT considered the escalation in world oil prices, inflation prospects and rising bond yields, the latter in Germany reflected by a further rise in the Bundesbank's average bond yield of 3 basis points to 9.13 per cent.

The depressing effect on equities was progressive, a 7.06 fall in the FAZ index to 647.66 in midsession, a little more than 1 per cent and another 1990 low, broadening to 2.2 per cent at the close as the DAX finished 33.88 down at 1,507.27, also a year's low. Turnover rose to DM4.1bn from Monday's DM3.3bn.

Ms Heidemarie Höppner, a dealer with B Metzler in Frankfurt, noted that the progression continued after hours: "On afternoon prices the DAX would have fallen below 1,500," she said.

Share price falls were relatively indiscriminate, although Allianz and Degussa, comparatively strong on Monday, seemed to suffer more than most as a result, falling DM100 to DM2,280, and DM20.80 to DM315, respectively.

Continental, down DM14.50 at DM250.50 for a two-day fall of DM34.70, continued to reflect disappointment with the denouement of Pirelli's scheme to gain control of the German tyre leader without making a bid for the company. Ms Höppner said that speculators had had their fingers burnt after dealing on a domestic newsletter, which, a fortnight ago, said that Conti shares would be worth DM350 in the short term.

PARIS continued to fall on worries about lower bonds and increased oil prices; turnover, while still thin, was better than Monday's level. The CAC 40 index lost 24.09 or 1.5 per *cent to 1,579.93 in turnover* estimated at FFr2.1bn after the previous day's FFr1.3bn.

Investors were waiting for a spate of company results, which could lend some direction to the market. BSN, the food group, dropped FFr13 to FFr768 before its first-half profits figures. The results, coming after the market closed, were at the low end of, or worse than, market expectations.

Among other companies due to report results this week, CMB Packaging fell FFr1.50 to FFr125, Lyonnaise des Eaux eased FFr2.50 to FFr462.50 and LVMH shed FFr161 to FFr3,294.

Elsewhere, some oil stocks strengthened, with Elf Aquitaine up FFr12 at FFr699 and Raffinage rising FFr26.90 or 9.8 per cent to FFr300.

Strafor, the office furniture company, fell heavily after the news of its merger with Facom, the hand tool manufacturer. Strafor plunged FFr125 or 11 per cent to FFr1,015 and Facom dropped FFr80 to FFr1,290.

AMSTERDAM failed to gain fresh direction from the presentation of the 1991 budget, as its contents were already known to a large extent. The *CBS Tendency index fell below* the 100-threshold to close down a full point at 99.8.

Higher crude prices pushed Royal Dutch to Fl 144.90 early on, before it fell back to close 10 cents up at Fl 143.50.

Pirelli Tyre Holding, the Dutch-based holding company controlled by Italy's Pirelli, was stable at Fl 23 after news that Continental AG of Germany had rejected Pirelli's offer to seek control.

MILAN fell further in meagre volume, estimated at about L100bn, on continued uncertainty about the Gulf and fears that local brokers might be facing financial difficulties as a result of the drop in trading activity. The Comit index eased 4.47 to 595.68.

Pirelli Spa fell L10 to L1,775 after news that Continental had rejected its proposal to merge their worldwide tyre interests and was preparing a counter-offer. The stock fell to L1,745 after hours. In the banking sector, Banco Ambroveneto fell L140 to L4,990 after reporting a 26.6 per cent rise in gross operating profit to L333bn.

MADRID declined to a third year's low in succession, with the general index down 5.84 or 2.3 per cent at 224.76.

Corporacion Mapfre, the insurer, fell another Pta350 or 7.4 per cent to Pta4,400, after falling 12 per cent on Monday on news of its rights issue plan. The utilities sector retreated in active trading; Hidrola lost Pta19 to Pta400 with 945,302 shares traded and Iberduero shed Pta13 to Pta555 on 628,428 shares.

STOCKHOLM fell as foreign investors sold blue chips. The Affärsvärlden General index dropped 23.1 to 1,089.6. Ericsson free B shares fell SKr42 to SKr1,115. After the market closed, the company said that it had received orders totalling *$125m for cellular switches and* radio base station equipment to expand existing Ericsson systems in six states in the US.

HELSINKI fell for the 15th day in a row, with the Unitas all-share index down 10.9 or 2.3 per cent at 460.6. In contrast, OSLO rose slightly on higher *oil prices.* The all-share index gained 1.77 to 602.46 in moderate trading worth NKr347m. Norsk Hydro added NKr3.5 to NKr248 and Saga Petroleum B *shares rose NKr3 to NKr189.*

ATHENS advanced again, led by the banking sector. The general index rose 42.22 or 3.2 per cent to 1,344.42.

SOUTH AFRICA

GOLD SHARES pulled the market lower as bullion prices fell below $390. A volatile financial rand also unnerved investors. The JSE gold index fell 34 to 1,532 and the industrials index dropped 68 to a year's low of 2,731.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 18 1990								MONDAY SEPTEMBER 17 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (79)	144.55	−0.2	111.68	125.59	116.34	115.28	−0.6	6.58	144.68	112.88	125.42	117.28	115.93	158.31	125.85	155.32
Austria (19)	207.59	−2.7	160.38	180.37	167.07	166.81	−3.2	1.64	213.31	166.19	184.65	172.67	172.28	265.63	193.15	149.34
Belgium (61)	137.67	−0.9	106.37	119.61	110.80	108.14	−1.3	5.36	138.89	108.28	120.31	112.51	109.51	160.02	132.11	137.72
Canada (119)	130.32	+0.3	100.69	113.22	104.88	109.19	+0.2	3.73	129.89	101.20	112.44	105.14	109.01	153.61	128.82	147.90
Denmark (33)	257.59	−0.5	199.01	223.81	207.31	207.49	−0.6	1.43	258.88	201.69	224.12	209.56	208.80	277.62	235.69	194.53
Finland (26)	115.12	−1.3	88.94	100.03	92.65	88.30	−1.9	3.10	116.67	90.89	101.00	94.44	90.02	152.29	115.12	129.49
France (122)	134.48	−0.8	103.90	116.83	108.22	109.38	−1.4	3.75	135.50	105.57	117.29	109.68	110.90	168.85	133.16	132.64
West Germany (92)	116.91	−0.6	90.32	101.59	94.09	94.09	−1.2	2.40	117.63	91.64	101.84	95.22	95.22	144.63	116.91	98.02
Hong Kong (46)	122.66	−0.6	94.77	106.57	98.72	122.17	−0.7	5.55	123.40	96.18	106.87	99.94	123.00	147.17	110.26	110.70
Ireland (17)	150.21	+2.1	116.05	130.51	120.89	122.02	+1.4	4.28	147.19	114.67	127.42	118.75	120.34	198.57	142.42	152.54
Italy (94)	88.08	−0.1	68.05	76.52	70.86	76.30	−0.6	3.12	88.13	68.86	76.29	71.34	76.80	109.26	87.35	93.55
Japan (454)	125.81	−2.8	97.20	109.31	101.26	109.31	−2.4	0.77	129.43	100.84	112.05	104.78	112.06	197.26	118.63	179.42
Malaysia (36)	210.42	−1.5	162.57	182.82	169.34	218.53	−1.4	2.77	213.63	166.36	184.84	172.84	221.71	250.69	195.23	199.92
Mexico (13)	512.72	−0.4	396.12	445.47	412.63	1620.91	−0.6	0.32	514.96	401.19	445.78	416.84	1629.38	561.41	324.53	313.12
Netherland (42)	137.22	+0.1	106.01	119.22	110.44	108.25	−0.5	5.21	137.07	106.79	118.66	110.96	109.79	149.05	130.43	128.97
New Zealand (17)	59.95	−1.0	46.32	52.09	48.25	50.98	−1.5	7.21	60.57	47.19	52.44	49.03	51.65	75.35	59.57	83.66
Norway (23)	275.04	+1.2	212.49	238.97	221.36	223.80	+0.7	1.42	271.69	211.68	235.38	220.10	222.16	276.79	202.34	188.58
Singapore (25)	161.66	−1.1	124.90	140.46	130.11	131.46	−1.1	3.18	163.45	127.34	141.50	132.31	132.91	208.24	159.05	165.22
South Africa (60)	168.48	−2.6	129.62	144.84	133.98	140.78	−2.9	4.12	170.86	133.12	147.91	138.31	145.04	251.30	168.48	154.84
Spain (42)	137.71	−2.0	106.39	119.65	110.83	101.61	−2.6	5.41	140.56	109.51	121.68	113.78	104.35	182.25	132.84	181.44
Sweden (34)	190.84	−2.4	147.44	165.81	153.59	160.62	−2.8	2.50	194.82	152.41	169.38	156.58	165.21	224.93	183.83	154.84
Switzerland (65)	94.06	−0.8	72.67	81.73	75.71	74.70	−1.1	2.24	94.80	73.89	82.10	76.75	75.61	100.77	88.75	89.91
United Kingdom (301)	158.24	−0.6	122.25	137.47	127.34	122.25	−1.4	5.67	159.21	124.04	137.81	128.86	124.04	178.18	139.87	152.69
USA (534)	128.44	+0.3	99.23	111.60	103.38	128.44	+0.3	3.84	128.06	99.77	110.86	103.67	128.06	148.95	123.82	140.93
Europe (971)	135.75	−0.6	104.88	117.94	109.25	107.16	−1.3	4.34	136.63	106.45	118.28	110.60	108.57	157.95	135.57	129.33
Nordic (116)	197.51	−1.1	152.60	171.61	158.96	156.10	−1.4	1.95	199.78	155.64	172.94	161.72	158.48	229.25	183.01	164.58
Pacific Basin (658)	126.26	−2.6	97.54	109.70	101.61	109.78	−2.3	1.18	129.65	101.01	112.24	104.95	112.30	192.75	119.53	175.98
Euro – Pacific (1629)	130.46	−1.8	100.79	113.34	104.99	109.40	−1.9	2.52	132.84	103.49	114.99	107.52	111.50	174.18	127.11	157.45
North America (653)	128.47	+0.3	99.25	111.63	103.41	127.20	+0.3	3.63	128.09	99.79	110.89	103.70	126.83	148.63	124.02	140.26
Europe Ex. UK (670)	121.32	−0.7	93.73	105.43	97.66	97.98	−1.2	3.50	122.14	95.16	105.76	98.89	99.17	145.62	121.32	114.38
Pacific Ex. Japan (204)	130.75	−0.5	101.02	113.62	105.24	111.92	−0.7	5.82	131.42	102.39	113.78	106.39	112.73	148.72	122.53	134.49
World Ex. US (1821)	131.04	−1.7	101.24	113.86	105.46	110.10	−1.8	2.58	133.34	103.88	115.43	107.94	112.15	173.77	128.14	157.19
World Ex. UK (2054)	126.26	−1.1	97.55	109.71	101.63	115.22	−1.1	2.58	127.66	99.46	110.52	103.35	116.48	162.21	121.56	150.10
World Ex. So. Af. (2295)	128.88	−1.0	99.57	111.98	103.73	115.73	−1.1	3.00	130.22	101.45	112.74	105.42	117.01	161.64	125.28	150.29
World Ex. Japan (1801)	132.10	−0.1	102.06	114.78	106.33	119.47	−0.4	4.11	132.22	103.07	114.54	107.12	119.86	151.59	130.40	136.81
The World Index (2355)	129.10	−1.0	99.74	112.18	103.91	115.90	−1.1	3.01	130.48	101.64	112.94	105.61	117.20	162.05	125.57	150.32

VIEWPOINT

The Commerzbank report on German business and finance

Uniting Germany's divided statistics: the compatibility problem

The reform process now under way in East Germany and Eastern Europe as a whole has created a huge need for information. In particular, data on the two German states are constantly being sought and compared. However, it became evident very early on that their official statistics are separated by a barrier not unlike the fence that used to divide them physically. In view of the wide gulf between the two countries' economic systems, the information which both sides need as unification approaches cannot always be provided; a host of divergent concepts and terms have been created – and are still being used – which make accurate comparisons very difficult.

In theory at least, East Germany was equipped to collect and process all the relevant social and economic data. But *its central statistical office*, which was also charged with documenting the country's progress towards socialism, was anything but objective. Now, however, with unification not far off, numerous political decisions must be taken, but the data required to make them are either unavailable or unsuitable for the tasks at hand. In the spring, a bilateral working group of statisticians from both East and West Germany was set up so that at least the most urgently needed types of information could be supplied.

The arrival of economic and monetary union on July 1, 1990 raised certain important questions as regards the empirical analysis of economic trends in Germany. For one thing, which categories of statistics can now no longer be collected in West Germany as they were in the past? And to what extent will they still be comparable with earlier figures? For which areas can East Germany provide compatible statistics? In what form should data for Germany as a whole be compiled? Since the border was opened, it has not been possible to determine how much West Germans spend in East Germany and vice versa. This means wider margins of error for the items "private consumption", "imports" and "exports" in the national accounts for both countries. Moreover, since April 1, the reporting requirement for inter-German trade has applied only to goods worth more than DM 10,000.

Strictly speaking, population data are the only statistics that are completely comparable. Price statistics reveal glaring discrepancies. In the past, virtually all East German prices were set by the government and, unlike in the West, they were not an indicator of scarcity. Moreover, there were and still are considerable differences in the quality of goods. Finally, many types of goods and services were simply not available in East Germany.

Problem areas for German statistics*

Statistics	West German statistics distorted?	Compatible/reliable East German statistics available?	All-German data feasible?
Population	no	yes	yes
Goods producing sector	no	no	no
Retail trade	yes	no	no
GNP	yes	no	no
Prices	no	no	no
Balance of payments	yes	no	no
Public sector budgets	no	no	yes

*) as of July 1990.

For the *foreseeable future*, it will also not make much sense to compile data on price movements for Germany as a whole because in East Germany massive changes will occur in relative prices due to the abolition of controls, and this will also affect the price level.

Removing uncertainties

The rapid creation of a uniform data base will serve to allay the fears and uncertainties which have proliferated in *the absence of hard data* and which have affected the financial markets. The new body of official statistics will be *compiled for the* most part using the methods and systems employed by international institutions. In substantive *terms*, the key task will be to develop up-to-date, reliable statistics on the economy. Since the summer, the two *German states* have harmonised their statistical procedures and it is now possible to compare their figures on employment, output and external trade.

The fusion of the two Germanies – and their statistics – will undoubtedly produce a structural break in the official national data base. Meaningful comparisons of historical data will only become feasible again when the official statistics are collected, processed and evaluated according to uniform criteria throughout the country.